

Consolidated Financial Statements of

CONSTANTINE METAL RESOURCES LTD.

As at and for the period ended October 31, 2006

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AUDITORS' REPORT

To the Shareholders of Constantine Metal Resources Ltd.

We have audited the balance sheet of Constantine Metal Resources Ltd. as at October 31, 2006 and the statements of operations and deficit and cash flows for the period from inception on March 3, 2006 to October 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2006 and the results of its operations and cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

"De Visser Gray LLP"

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
February 12, 2007

CONSTANTINE METAL RESOURCES LTD.

Consolidated Balance Sheet

As at October 31, 2006

Assets

Current assets:

Cash and cash equivalents	\$	1,543,169
Accounts receivable		34,126
Prepaid expenses		2,194
		<hr/>
		1,579,489

Equipment		3,611
Mineral property – Palmer (Schedule, Note 4)		1,633,872
		<hr/>

\$ 3,216,972

Liabilities

Current liabilities:

Accounts payable and accrued liabilities	\$	134,342
		<hr/>

Shareholders' equity

Share capital (Note 5a)		3,045,209
Contributed surplus (Note 5d)		540,495
Deficit		(503,074)
		<hr/>
		3,082,630

\$ 3,216,972

Approved by the Board of Directors:

“Garfield MacVeigh”
Director

“K. Wayne
Livingstone”
Director

See accompanying notes to financial statements.

CONSTANTINE METAL RESOURCES LTD.

Consolidated Statement of Operations and Deficit

For the period from inception on March 3, 2006 to October 31, 2006

Interest income	\$ 14,625
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Expenses:	
Stock based compensation	\$ 429,780
Legal	20,918
Professional fees – audit	21,250
Management fees	30,700
General and administrative	14,650
Amortization	401
	<hr/> 517,699
Loss for the period	(503,074)
Deficit, beginning of period	-
	<hr/>
Deficit, end of period	\$ (503,074)
Loss per share	\$ (0.03)
Weighted average number of common shares outstanding	<hr/> 14,790,153

See accompanying notes to financial statements.

CONSTANTINE METAL RESOURCES LTD.

Consolidated Statement of Cash Flows

For the period from inception on March 3, 2006 to October 31, 2006

Cash provided by (used in):**Operations:**

Loss for the period	\$ (503,074)
Items not involving cash:	
Amortization	401
Stock-based compensation	429,780
Changes in non-cash working capital accounts:	
Accounts receivable	(34,126)
Accounts payable	121,662
Prepaid expenses	(2,194)
	<hr/> 12,449

Investing activities:

Mineral property expenditures (Note 4)	(742,482)
Equipment purchased	(4,012)
	<hr/> (746,494)

Financing activities:

Seed capital	395,002
Initial public offering shares	2,200,000
Share issuance cash costs	(317,788)
	<hr/> 2,277,214

Net increase in cash, and cash at end of period	1,543,169
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Supplemental Disclosure of Non-Cash Financing Activities:

Stock based compensation	\$ 429,780
Refer also to notes 4 and 5	

CONSTANTINE METAL RESOURCES LTD.

Schedule of Deferred Mineral Property Costs

For the period from inception on March 3, 2006 to October 31, 2006

Palmer Property, Alaska, USA (Note 4)	
Acquisition cost	\$ <u>878,712</u>
Expenditures during the year:	
Advance royalty payments	24,155
Assaying and testing	6,385
Drilling	231,307
Property filing and maintenance fees	49,275
Field transportation (includes helicopter)	242,641
Other and miscellaneous	<u>201,397</u>
	<u>755,160</u>
Balance, October 31, 2006	\$ <u>1,633,872</u>

See accompanying notes to financial statements.

CONSTANTINE METAL RESOURCES LTD.

Notes to Consolidated Financial Statements

For the year ended October 31, 2006

1. Nature of Operations

The Company was incorporated under the Business Corporations Act (British Columbia) on March 3, 2006 by its initial sole shareholder, Toquima Minerals Corporation ("Toquima"), and as a preliminary step in a Plan of Arrangement to occur pursuant to an agreement dated March 23, 2006 among the Company, Toquima and Carlin Gold Corporation ("Carlin").

The Company is now owned by the public, including the previous shareholders of Toquima, and by Carlin, a Canadian public company listed on the TSX Venture Exchange. The Company first conducted a Special Warrant seed financing of approximately \$375,000 and issued to Carlin 2.0 million escrowed common shares at \$0.01 per share. Carlin also issued 5,540,913 Special Warrants to the shareholders of Toquima on a pro rata basis. Each Special Warrant was exercisable to acquire one common share of the Company in the event that a successful Initial Public Offering ("IPO") was completed, defined as the sale of common shares to the public in British Columbia and Alberta to raise gross proceeds of not less than \$1.0 million at a price of not less than \$0.30 per share. Refer also to note 4.

Upon the completion of the IPO on July 31, 2006 to raise gross proceeds of \$2.2 million at \$0.40 per share, these Special Warrants were exercised to acquire common shares and the Company's stock was subsequently listed for trading on the TSX Venture Exchange on August 4, 2006.

The Company is in the business of acquiring interests in resource properties that are considered to be sites of potential economic mineralization, and then subsequently developing such assets with a view to enhancing their value. Currently the Company is principally engaged in the exploration of a property which cannot be considered economic until a commercial feasibility study is carried out on it. The Company has no sources of operating revenue and is dependent upon equity financing to maintain current operations and to ultimately develop a mineral property interest or interests which can be profitably sold or developed further and placed into successful commercial production.

2. Significant Accounting Policies

a) Basis of presentation

These financial statements are inclusive of the accounts of the Company and its wholly-owned subsidiary, Toquima North Ltd. ("Toquima North").

b) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates.

c) Future income taxes

The Company accounts for the future tax consequences of the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the future potential benefit is taken and no net asset is recognized. Such an allowance has been applied to all potential income tax assets of the Company.

CONSTANTINE METAL RESOURCES LTD.

Notes to Consolidated Financial Statements

For the year ended October 31, 2006

d) **Cash and cash equivalents**

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid debt investments with remaining maturities at point of purchase of three months or less. The Company places its cash and cash investments with institutions of high credit worthiness. At times, such investments may be in excess of federal insurance limits.

e) **Equipment and Leasehold Improvements**

Equipment and leasehold improvements are recorded at cost. The Company provides for amortization on office equipment using the 20% declining balance method and straight-line method for leasehold improvements over the life of the lease, with half of this rate used in the year of acquisition.

f) **Earnings (Loss) per Share**

Basic earnings (loss) per share is computed by dividing income (or loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents are reflected in diluted earnings per share by application of the treasury stock method.

g) **Stock-Based Compensation**

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method.

h) **Foreign Currency Translation**

The accounts of the Company's foreign operations have been translated into Canadian dollars as follows:

- Monetary assets and liabilities at year-end rates,
- All other assets and liabilities at historical rates, and
- Revenue and expense and exploration and development items at the average rate of exchange prevailing during the period.

Exchange gains and losses arising from these transactions are reflected in income or expense in the year that they occur.

i) **Mineral Property Costs**

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Mineral exploration and development costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for the prospects abandoned are written-off.

CONSTANTINE METAL RESOURCES LTD.

Notes to Consolidated Financial Statements

For the year ended October 31, 2006

The recoverability of the amount capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm-out its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

j) Management's Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Actual results could differ from those estimates.

3. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

4. Acquisition of Toquima North and the Palmer Property

On April 13, 2006 and in contemplation of the transactions described in note 1, the Company acquired from its then-sole shareholder, Toquima, all of the outstanding common shares of another wholly-owned subsidiary of Toquima, Toquima North, in consideration for one common share at nominal value and the assumption of all intercorporate debt owing by Toquima North. As there had been no substantive change in the ownership of the net identifiable assets of Toquima North, the transaction was measured under the purchase method of accounting based on the carrying cost of Toquima's aggregate investment in Toquima North of \$878,712. The consideration paid was allocated entirely to the Palmer property, which was the sole identifiable asset of Toquima North.

The exercise of Carlin Special Warrants referred to in note 1 resulted in the extinguishment of the Company's then-outstanding debt to Toquima of \$878,710.

The Palmer property is comprised of a 99 year mining lease, dated December 19, 1997, on 340 mining claims located near Haines, Alaska. To maintain the lease, the Company is required to make annual advance royalty payments of US \$42,500 and pay Federal claim maintenance fees, which were US \$42,500 in 2006. The lease is subject to a 2.5% net smelter return ("NSR") royalty of which the Company may purchase 0.5% of the NSR for US \$3,000,000 before the tenth anniversary date of December 31, 2007. The Company has a right of first refusal to purchase the NSR or any portion thereof at any time during the term of the lease. The advance royalty payments are deductible from the NSR royalty.

The Company subsequently spent \$755,160 on the Palmer property, bringing its total investment in the project to \$1,633,872 at October 31, 2006.

CONSTANTINE METAL RESOURCES LTD.

Notes to Consolidated Financial Statements

For the year ended October 31, 2006

5. Share Capital**a) Details of share capital are as follows:**

	Shares	Amount
Authorized:		
Unlimited common shares without par value		
Issued and fully paid:		
Issued at incorporation	1	\$ 1
Issued on the acquisition of the outstanding share capital of Toquima North	1	1
Issuance of escrowed common shares to Carlin	2,000,000	20,000
Conversion of private placement special warrants	1,500,000	375,000
Conversion of Carlin special warrants	5,540,911	878,710
Initial public offering	5,500,000	1,782,516
Issued to Agent as part of commission on IPO	199,240	79,696
Issued to Agent on completion of IPO	50,000	20,000
Broker warrants issued, at fair value	-	(110,715)
Balance - October 31, 2006	14,790,153	\$ 3,045,209

Shares issued

The Company completed its IPO of 5,500,000 units at a price of \$0.40 per unit to raise proceeds of \$2,200,000 before issue costs. Issue costs include a commission equal to 8% of the gross proceeds raised, which was paid \$96,304 in cash and \$79,696 in units (199,240). The Agent also received a corporate finance fee of \$20,000, 50,000 units and compensation options equal to 10% of the number of units sold under the offering, each such option entitling the Agent to purchase one additional common share for a two year period at a price of \$0.40 in the first year and \$0.50 thereafter. All units are comprised of a common share and one-half of a share purchase warrant, with each whole warrant exercisable to acquire an additional share at a price of \$0.60 for a period of two years.

b) Warrants

As at October 31, 2006, the following share purchase warrants were outstanding:

Number	Price per Share	Expiry Date
1,500,000	\$0.35	July 31, 2008
2,750,000	\$0.50	July 31, 2008
25,000	\$0.40/0.50	July 31, 2007/2008
99,620	\$0.40/0.50	July 31, 2007/2008
550,000	\$0.40/0.50	July 31, 2007/2008

c) Escrow Shares

As at October 31, 2006, 6,426,758 shares were held in escrow and will be released over a three year period, based on a predetermined schedule.

CONSTANTINE METAL RESOURCES LTD.

Notes to Consolidated Financial Statements

For the year ended October 31, 2006

d) **Contributed Surplus**

Contributed Surplus, March 3, 2006	\$ Nil
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Changes during 2006	
Non-cash stock-based compensation	429,780
Fair value of broker warrants issued for private placements	110,715
Contributed Surplus, October 31, 2006	<u>540,495</u>

e) **Share Purchase Options**

The Company has established a share purchase option plan whereby the board of directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from the date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant date. Options begin vesting on the grant date based on a schedule outlined in the share purchase option plan. The maximum number of options to be granted under this plan is 10% of the Company's issued capital.

An amount of \$429,780 has been recorded in the current period as stock-based compensation expense, based on the stock options granted at the end of the quarter upon completion of the Company's IPO.

A summary of the Company's options as at October 31, 2006 is as follows:

Number	Price per Share	Expiry Date
<u>1,425,000</u>	<u>\$0.40</u>	<u>May 11, 2011</u>

The following assumptions for used for the Black-Scholes option valuation for the options granted during the year ended October 31, 2006.

Risk-free interest rate	4.16%
Expected life of options in days	1,825
Annualized volatility	98%
Dividend rate	0.00

6. **Related Party Transactions**

The following represents the details of related party transactions paid or accrued during the period ended October 31, 2006:

Management fees paid to a company owned by a director	\$ 17,000
Accounting and administration fees paid or accrued to a company 50% owned by an officer of the Company	13,700
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	<u>\$ 30,700</u>

CONSTANTINE METAL RESOURCES LTD.

Notes to Consolidated Financial Statements

For the year ended October 31, 2006

7. Income Taxes

A reconciliation of income taxes at statutory rates is as follows:

	2006
Net loss for the year	\$ (431,824)
Expected income tax (recovery)	\$ (148,936)
Net adjustment for amortization and other non-deductible amounts	87,360
Valuation allowance	61,576
Total income taxes	\$ -

Subject to confirmation with regulatory authorities, the significant components of the Company's future income tax assets are approximately as follows:

	2006
Future income tax assets (liabilities):	
Net mineral property carrying amounts in excess of tax pools	\$ (20,000)
Loss carryforwards	130,000
	110,000
Valuation allowance	(110,000)
Net future tax assets	\$ -

The Company will also have a non-capital loss of approximately \$73,000, which will be available to reduce future taxable income in Canada and which will expire in 2026.

CONSTANTINE METAL RESOURCES LTD.

FORM 51-102F1
MANAGEMENT DISCUSSION & ANALYSIS

OCTOBER 31, 2006

This MD&A should be read in conjunction with the audited financial statements and notes for the year ended October 31, 2006, and includes information up to February 27, 2007.

Company Overview

Constantine Metal Resources Ltd. (the "Company", "Constantine") is an exploration stage company engaged in the exploration and development of a polymetallic massive sulphide exploration property in Alaska known as the Palmer Property, its principal project.

Constantine was incorporated in March 2006 pursuant to a Plan of Arrangement between Carlin Gold Corporation and Toquima Minerals Corporation ("Toquima"), which resulted in Constantine acquiring the Palmer project from Toquima.

On July 31, 2006 the Company completed an initial public offering for \$2,200,000 and is now a reporting issuer in British Columbia and Alberta. Constantine trades on the TSX Venture Exchange under the symbol CEM.

The proceeds of the IPO have been used for exploration of the Palmer project and general working capital. The Company began a projected \$875,000, Phase 1 drilling program in early August, concurrent with the completion of the company's IPO and listing on the TSX Venture Exchange. The program was terminated on September 14th, 2006 after completion of 829 meters of the planned 2400 metre Phase 1 drill program.

For the year ending October 31, 2006, the Company spent \$755,160 on exploration and incurred a net loss for the year of \$503,074 or \$0.03/share on a basic and diluted basis.

The Company's cash position at October 31, 2006 was \$1,543,169, which is sufficient to meet the project and corporate needs for the year. Constantine's working capital position at October 31, 2006 was \$1,445,147.

Palmer Project - Alaska

The Company's principal asset is the Palmer base metal project in Alaska. The project is logistically well situated within 3 miles of a paved highway and 35 miles north of the deep-sea port of Haines. The property is 100% controlled by way of a mineral lease agreement with the owner, with advance royalties applied to a 2.5% Net Smelter Return (NSR) royalty, which is subject to certain optional buyout provisions. The Palmer project consists of a 340 federal claim property that includes a large number of precious metals – enriched volcanogenic massive sulfide prospects distributed along two sub-parallel trends and within two or more stratigraphic horizons along a combined 14.5 kilometer (9 mile) strike length of volcanic-sedimentary stratigraphy. Extensive zones of quartz-sericite-pyrite alteration that link many of the occurrences are indicative of a very large ore-forming hydrothermal system.

Notable prospect areas include Glacier Creek (RW Zone and Main Zone horizons), Mount Henry Clay, Cap, Nunatak, and the Hanging Glacier (HG). Previous exploration, including several diamond drill programs, indicate similarities in mineralization style, alteration, age, and tectonic setting to the world-class Greens Creek and Windy Craggy deposits, which occur in the same belt of Triassic-age rocks in Southeast Alaska and Northwest British Columbia.

CONSTANTINE METAL RESOURCES LTD.

FORM 51-102F1
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OCTOBER 31, 2006

Exploration Highlights

Two of the three holes completed in 2006 intersected high-grade zinc values in the RW Zone. Hole CMR06-01 intersected 5.12 meters grading 10.86% zinc, 0.13% lead, 0.23% copper, 0.134 g/t gold and 44.4 g/t silver while hole CMR06-02 contained 19.5% zinc over 0.79 metres of which 0.37 meters was recovered. The estimated true width of these intersections is 90-100% of the core length. An underlying pyrite-sphalerite stringer zone in hole CMR06-02 assayed 1.02% Zn over 16.61 meters. Hole CMR06-01 is located 60 meters north of the near surface oxidized intersection in hole RMC98-03 and is the first hole to confirm the interpretation that the leached and oxidized near surface mineralization represents high-grade sulphide mineralization. This highlights the potential of the RW and Main Zones oxide elsewhere. Hole CMR06-02 is located an additional 50 meters north of hole CMR06-01 and establishes a minimum north-south extent of the RW zone oxide and sulphide mineralization on this section of 220 meters. The RW Zone is now indicated over a total east-west extent of 800 metres and a 375 meter north-south distance. More drilling is required to determine the continuity of mineralization within this area and to expand on the extent of the mineralization that remains open.

Drill hole CMR06-02 tested for the stratigraphically lower and deeper Main Zone horizon and intersected 2 wide intervals (40 metres and 38.7metres) of stringer mineralization and alteration that may represent this zone. Hole CMR06-03 tested the RW horizon 120 meters west of hole CMR06-01 and contained an 11 metre interval of rhyolite hosted massive pyrite stringers within the RW horizon that assayed 0.81% Zn and 0.15% Cu.

Surface geology and soil sampling was completed over selected parts of the property to establish and refine additional drill targets. Some of this work was directed to identifying lower elevation targets that will allow an extended drill season in 2007. In particular, ongoing mapping and compilation has highlighted the significant potential of the southwall RW and Main Zones that are now priority targets at lower elevations. The 2006 drilling has confirmed the presence of potentially ore grade mineralization indicated in prior drilling and outcrop and continues to outline the importance of the Glacier Creek prospect; one of several high quality prospects on the Palmer property.

The Company plans to continue an aggressive drilling program at Palmer in the summer of 2007. Exploration will focus on expanding the current limits of RW and Main Zone mineralization, but will also include testing of the high priority South Wall horizons and the silver-barite rich Cap Zone (134 g/t Ag over 23 metres).

The Company is reviewing other base metal and gold opportunities in Alaska and Canada with the intent of acquiring another high quality project.

Selected Annual Information

Selected annual information from the audited financial statements for the fiscal period year ended October 31, 2006:

	October 31 2006
Loss for the year	\$ 503,074
Basic and diluted loss per share	0.03
Total assets	1,579,489
Total liabilities	134,342
Total shareholders' equity	\$ 3,082,630

CONSTANTINE METAL RESOURCES LTD.

FORM 51-102F1
MANAGEMENT DISCUSSION & ANALYSIS

OCTOBER 31, 2006

Results of Operations

The Company was incorporated on March 3, 2006 and this was Constantine's first year of operations. The Company's principal activities since inception were the completion of a TSX Venture listing and initial public offering, and a summer drilling program on the Palmer project.

The net loss for the period March 3 – October 31, 2006 was \$503,074, consisting primarily of non-cash stock option compensation expense of \$429,780. Other operating expenses for the period were nominal, totaling \$67,890.

The Company incurred cash costs of \$317,788 in connection with the completion of the IPO. Of this amount, approximately \$212,000 was paid to the prospectus agent for commissions, finance fees and costs, and other compensation. Additionally, the Company made a non-cash charge of \$110,715 to contributed surplus for the calculated fair value of brokers warrants issued.

During the period Constantine spent \$755,160 in regard to the Palmer property. A total of \$49,275 of this amount was spent on annual property filing fees required to maintain the property in good standing in the state of Alaska and \$24,155 was paid in advance royalties. The balance of \$681,730 was spent on the summer's drilling program as follows:

Assaying and testing	6,385
Drilling	231,307
Field transportation (includes helicopter)	242,641
Other and miscellaneous	201,397
Total	<u>\$ 681,370</u>

The Company earned \$14,625 in interest income during the period from a bank term deposit.

Summary of Quarterly Results

In the quarter ended October 31, 2006 the Company focused on completing its summer drilling program on the Palmer project. The following expenditures were made on the Palmer project during the quarter:

Palmer Project Expenditures for the quarter:

Advance royalty payments	\$ 12,173
Assaying and testing	6,385
Drilling	223,152
Field transportation (includes helicopter)	242,641
Other and miscellaneous	162,013
Total	<u>\$ 646,364</u>

The net loss for the fourth quarter was \$124,515 (less than \$0.01 per share), consisting primarily of non-cash stock option compensation expense of \$71,250. Management fees comprised \$26,000 of the costs for the quarter, which were incurred by related parties for specific work related to accounting, administration and completion of the IPO. Remaining operating expenses of \$41,890 were comprised of legal and professional fees and general and administrative costs.

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OCTOBER 31, 2006

Liquidity

The Company's sources of cash in the period were:

- \$395,002 from the sale of seed private placements
- \$1,882,212 net cash proceeds from IPO

The Company's total cash position at October 31, 2006 was \$1,543,169, sufficient to meet its project and corporate needs for the ensuing year. The working capital position at October 31, 2006 was \$1,445,147.

Capital Resources

The Company has no material commitments for capital expenditures at this time. Holding costs for the Palmer project are estimated at approximately \$100,000 for the next year.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet financing arrangements.

Related Party Transactions

A director and an officer of the Company provided specific services to the Company during the period as follows:

Management fees paid to a company owned by a director	\$	17,000
Accounting and administration fees paid or accrued to a company 50% owned by an officer of the Company		13,700
	\$	<u>30,700</u>

Critical Accounting Estimates

The most significant accounting estimate for the Company relates to the carrying value of its mineral property assets. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, a provision is made for the impairment of value.

Management's estimates of mineral prices, recoverable proven and probable reserves, and operating, capital and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its properties.

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Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short term to maturity of these instruments.

Forward-Looking Statements

Certain statements contained in this Management Discussion and Analysis and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

Risk Factors

Companies operating in the mining industry face many and varied kind of risks. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical. Following are the risk factors most applicable to the Company.

Industry

Exploring and developing mineral resource projects bears a high potential for all manner of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted such that it is not feasible or practical to proceed. The Company closely monitors its risk based activities and employs experienced consulting, engineering, insurance and legal advisors to assist in its risk management reviews.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Metal Prices

The principal activity of the Company is the exploration and development of precious metal rich base metal resource properties. The feasible development of such properties is highly dependent upon the price of gold, silver, copper lead and zinc. A sustained and substantial decline in precious metal and base metal commodity prices could result in the write-down, termination of exploration and development work or loss of its interests in identified resource properties. Although such prices cannot be forecasted with certainty, the Company carefully monitors factors which could affect precious metal and base metal commodity prices in order to assess the feasibility of its resource projects.

Political Risk

The resource properties on which the Company is actively pursuing its exploration and development activities are all located in Alaska. While the political climate in Alaska is considered by the Company to be stable, there can be no assurances that this will continue indefinitely. To alleviate such risk, the Company

CONSTANTINE METAL RESOURCES LTD.

**FORM 51-102F1
MANAGEMENT DISCUSSION & ANALYSIS**

OCTOBER 31, 2006

funds its operations on an as-needed basis. The Company does not presently maintain political risk insurance for its foreign exploration projects.

Environmental

Exploration and development projects are subject to the environmental laws and regulations of the state of Alaska and of the United States of America. As such laws are subject to change, the Company carefully monitors proposed and potential changes and management believes the Company remains in compliance with current environmental regulations in the relevant jurisdictions.

Other

Additional information about the Company may be found on the SEDAR website at www.sedar.com.