



**2010**

**ANNUAL REPORT**



## **Management Discussion and Analysis For the year ended October 31, 2010**

### **General**

The information in this Management's Discussion and Analysis, or MD&A, is intended to assist the reader in the understanding and assessment of the trends and significant changes in the results of operations and financial conditions of Constantine Metal Resources Ltd. (the "Company" or "Constantine"). This MD&A should be read in conjunction with the audited consolidated financial statements of the Company, including the notes thereto, for the fiscal year ended October 31, 2010, which are prepared in accordance with Canadian generally accepted accounting principles.

Constantine is a junior exploration company engaged in the exploration and development of a polymetallic (copper-zinc-gold-silver) massive sulphide exploration project in southeast Alaska known as the Palmer Project, its principal project, and gold properties in Ontario, British Columbia and the Yukon. The company's principal Ontario gold project is the Munro-Croesus project, which includes the past-producing high-grade Croesus gold mine located east of the Timmins gold camp. In the past year, the Company has acquired three additional gold projects; the Phoenix gold project 75 kilometers south of Timmins, Ontario, the Trapper gold project in northern British Columbia and the Constantine-Carlin Yukon Joint Venture gold project in the Yukon Territory. Subsequent to the October 31, 2010 year end, Constantine acquired the Hornet Creek copper gold base metal property in west-central Idaho, and a 50% interest in the Aztec gold property in Yukon Territory as part of the Constantine-Carlin Yukon Joint Venture.

The Company is a reporting issuer in British Columbia and Ontario and trades on the TSX Venture Exchange under the symbol CEM.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations. The Company is currently engaged in exploration and development of mineral properties and does not have any source of revenue or operating assets. The recoverability of the amounts shown for mineral properties is dependent upon the ability of the Company to obtain necessary financing to complete exploration, technical studies and, if warranted, development and future profitable production or proceeds from the disposition of properties. The amounts shown as mineral properties represent costs to date and do not necessarily represent present or future values.

### **2010 Highlights**

1. In January, 2010 Constantine completed the first NI 43-101 compliant resource on the Palmer property. Using an NSR cut-off of \$50 per tonne an inferred resource of 4.75 million tonnes grading 1.84 percent copper, 4.57 percent zinc, 0.28 grams per tonne gold, and 29.1 grams per tonne silver has been estimated.
2. Mineralogical studies and metallurgical benchmarking demonstrated coarse grained mineralogy and the likelihood, through further test work, that the Palmer mineralization will yield good recoveries with high grade concentrates at relatively low milling cost.
3. The 2010 Palmer drill program was successful in expanding RW and South Wall zone mineralization.
4. The Phoenix Gold property agreement signed in April 2010 allows Constantine to earn a 100%



interest in 35 claims (519 units ~8304 hectares) located 75 kilometers south of the Timmins gold camp in the active Shiningtree gold area.

5. The Company acquired the Trapper Gold property, located in the Atlin Mining Division in northern British Columbia in April 2010 and joint ventured the project to Ocean Park Ventures Corp. in December 2010. The option agreement to Ocean Park requires them to spend \$9.75 million to earn a 70% interest in the project.
6. In late September, 2010 the Company initiated acquisition by staking of a major land position (1900 claims, more than 150 square miles) in Yukon's emerging Carlin-style gold district in 50-50 joint venture with Carlin Gold Corporation. The joint venture combines Carlin Gold's extensive experience exploring for Carlin-type gold deposits in Nevada with Constantine's expertise and familiarity exploring the North. Subsequent to year end the Joint Venture acquired an additional interest in 226 claims through the Aztec option agreement dated January 27, 2011.
7. Financings in fiscal 2010 raised \$1,400,000 in November 2009, \$2,405,000 through the exercise \$0.20 warrants in January 2010 and in December 2010 raised \$3,500,000 through a brokered financing (including \$1,200,000 of flow-through financing to be spent on Canadian gold projects in 2011).
8. In January 2011 the Company acquired a 100% interest in the Hornet Creek copper-gold massive sulphide prospect in west-central Idaho through a long term lease agreement.

## **Base Metal Projects**

### Palmer project (southeast Alaska, USA)

#### *Overview*

The Company's principal asset is the 100% controlled Palmer polymetallic massive sulphide 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 Palmer project consists of a 340 federal claim property that is subject to certain annual advanced royalty payments and a net smelter royalty payment to the lessor should the property reach commercial production and 63 state claims that are owned outright by Constantine, but subject to an Area of Interest net smelter return and certain Alaska State payments to maintain them in good standing. The property includes a large number of precious metals-enriched volcanogenic massive sulfide ("VMS") 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 interpreted to be indicative of a very large mineralized system. Palmer project highlights are itemized below.

- The 64 square kilometer property encompasses numerous underexplored VMS prospects located within large scale hydrothermal alteration zones. In addition to the immediate opportunity to expand the current RW and South Wall resources, excellent potential exists to discover other new deposits on the property.
- Constantine completed the first NI 43-101 compliant resource (see news release dated January 20, 2010) on the Palmer property. Using an NSR cut-off of \$50 per tonne an inferred resource of 4.75 million tonnes grading 1.84 percent copper, 4.57 percent zinc, 0.28 grams per tonne gold, and 29.1 grams per tonne silver has been estimated.



- Mineralogical studies and metallurgical benchmarking demonstrated coarse grained mineralogy and the likelihood, through further test work, that the Palmer mineralization will yield good recoveries with high grade concentrates at relatively low milling cost.
- The resource area could likely be accessed by short lateral development.
- The Company believes that the geometry of the currently defined, wide, steeply dipping South Wall sulphide mineralization is favourable for low cost underground mining methods.
- The project has a favourable location with good logistics, including direct access to Pacific Rim concentrate markets via 60 kilometers of existing road connecting the project to deep sea port facilities at Haines, Alaska.

### *2010 Palmer Project Drill Program Results*

The 2010 Palmer drill program started in early May and finished in late August, 2010 with the completion of 10 holes for a total of 4017 meters. The program was successful in expanding RW and South Wall zone mineralization.

1. RW Zone step-out hole CMR10-35 intersected 7.1 meters (23.3 feet) grading 2.10% copper, 1.52% zinc, 0.18 g/t gold and 16.8 g/t silver. The intersection expands the RW Zone 45 meters along strike to the west-northwest of CMR07-07 (14 meters grading 4.09% copper, 7.35% zinc, 0.40 g/t gold, 50.9 g/t silver).
2. Hole CMR10-38, intersected 10.15 meters (33.3 feet) of RW Zone mineralization grading 0.70% copper, 6.51% zinc, 1.02% lead, 0.39 g/t gold, and 89.7 g/t silver that is underlain by 13.65 meters (44.8 feet) of precious metal-rich, base metal leached oxide zone mineralization grading 1.13 g/t gold and 148.0 g/t silver. Combined, the total intersection is 23.8 meters (78.1 feet) grading 0.36% copper, 2.94% zinc, 0.96% lead, 0.82 g/t gold and 123.1 g/t silver.
3. On the South Wall, hole CMR10-40 expanded Zone I 80 meters along strike to the east, intersecting 20.8 meters (68.2 feet) grading 1.03% copper, 5.01% zinc, 0.14 g/t gold and 11.3 g/t silver. Hole CMR10-40 also intersected a wide interval of Zone III mineralization, 17.4 meters (57.1 feet) grading 0.16% copper and 2.25% zinc, which extends Zone III 50 meters east and 25 meters down dip, and demonstrates the zone is open and apparently thickening to depth and to the east.
4. Hole CMR10-39 intersected 2.45 meters (8.0 feet) grading 1.10% copper, 4.52% zinc, 0.13 g/t gold and 24.8 g/t silver, including 0.65 meters (2.1 feet) grading 3.30% copper, 9.29% zinc, 0.40 g/t gold, and 75.4 g/t silver. This represents the deepest massive sulphide intersection to date and expands South Wall Zone III 110 meters (361 feet) down plunge to the west.
5. South Wall mineralization has now been defined from surface to a vertical depth of 525 meters (1,722 feet) and over a strike length of 450 meters (1,476 feet). Zones remain open for expansion to depth and along strike.
6. Two holes tested new target areas, including at depth below the RW horizon and a geophysical anomaly located approximately 1000 meters west of the South Wall Zones. The Company believes significant potential exists for mineralization stratigraphically equivalent to South Wall Zone I that is projected to occur on the upright fold limb at depth below the RW horizon. Hole CMR10-36 tested this setting and identified broad zones of intense alteration and sulphide stringers that support the potential for massive sulphide mineralization. This opens up a large massive sulphide target opportunity in the vicinity of existing mineralization.
7. Hole CMR10- 41 targeted an EM (electro-magnetic) conductor detected by surface geophysics 500 meters north and down dip of the Little Jarvis prospect where chip samples by Kennecott in the mid-1990's returned 4.6 meters (15 feet) grading 7% copper, 13% zinc, 0.02 oz/ton gold and 7.0 oz/ton silver. The conductor was not explained in the drill core, however hydrothermal



alteration and chert intersected in the hole suggest proximity to a massive sulphide center and further drilling is warranted. CMR10-41 also intersected 0.6 meters of pyrrhotite-sphalerite mineralized cherty silica near the top of the hole that is believed to represent a prospective new horizon located stratigraphically above the RW Zone horizon.

8. New drill targets identified with surface and downhole EM geophysical surveys. Downhole EM surveys were completed on six of the ten holes drilled in 2010. Surface-based EM surveys totalled approximately 37 line kilometers and covered areas immediately along trend from the 4.75 million tonne inferred resource, as well as the Mount Henry Clay (MHC) prospect located 4.5 kilometers to the west. The MHC Prospect is an area of poor bedrock exposure that hosts numerous high-grade massive sulphide boulders (e.g. boulders up to 1.8 meters grading 2.5% copper and 33% zinc) and areas of strong footwall alteration.

To advance the project, a \$5,000,000 exploration program is recommended for the Palmer project in 2011. The focus will be to test extensions of the RW and Southwall Zones with 2 drills and one drill to test other prospects that may include the Cap, Nunatak, HG and MHC drill targets. Additional surface, downhole and possibly airborne geophysical surveys will be included in the program. The Company will require additional funds or a partner to complete the intended exploration work for 2011.

#### Hornet Creek (Idaho, USA)

The Hornet Creek gold-copper prospect is in the Hornet Creek mining district, near North Hornet Creek, and northeast of Peck Mountain in west central Idaho and consists of 44 federal lode claims located on BLM and forest service lands. In January 2011 Constantine acquired a 100% interest in the property subject to a 2.0% net smelter return (NSR) through a 99 year lease agreement.

The property includes the Peck Mountain gold-copper volcanogenic massive sulphide ("VMS") prospect, where limited drilling by Conoco Inc. in the early 1980s is reported to have intersected 17 meters (true width) of massive sulphide grading 3 g/t gold and 0.16% copper. Several old pits, trenches and short adits dating from the early 1900s exist on the property. Grab samples collected by Constantine in proximity to an adit located in the footwall to the massive sulphide horizon contained up to 1.72% copper and 0.98 g/t gold. Other grab samples collected adjacent to old workings to the northwest of the drilled prospect assayed up to 12.05 g/t gold in heavily iron-oxide mineralized rocks that are locally associated with barite.

The Hornet Creek property lies within the Blue Mountains region that is host to several gold-enriched volcanogenic massive sulphide prospects and deposits. Most notable of these is the 39 million tonne Red Ledge deposit located approximately 40 kilometers to the north. The property is situated in an area with excellent access and infrastructure, and is amenable to year round exploration. Primary industries within the region currently include logging and ranching, with active mining occurring as recently as the mid-1980s at the nearby Iron Dyke high-grade copper-gold mine.

A United States Geological Survey (USGS) publication describes surface mineralization at the Hornet Creek Property as stratiform layers and lenses (1 to 5 m. thick) of semi-massive to massive pyrite plus chalcopyrite, magnetite, silica, and barite in felsic metavolcanic rocks of the Triassic Huntington Formation of the Izee Terrane. Bear Creek Mining Company staked the property in 1964 and the property was subsequently held briefly by Noranda and Asarco. Conoco acquired the property in 1978 and drilled six wide spaced holes, four of which are in the immediate prospect area. One of these holes is reported to have intersected a 17 meter (55 foot) true width of massive pyrite containing 3 g/t gold, 0.16% copper and 1.2% barium. None of the Conoco drilling tested down dip of this intersection, and the two closest holes are located along strike 180 meters to the northeast and 260 meters to the southwest. Mineralization encountered in neighbouring holes includes semi-massive sulphide, massive barite, and sulphidic debris flow intervals (no assay data available). Subsequent to the work by Conoco, the property was vended to Chevron Minerals. It is unknown what, if any, further work was completed, however no other obvious



surface disturbance like that associated with the Conoco drill sites have been identified in the immediate area of the prospect.

The Company's 2011 plans include locating and compiling all available historical information on the property. An initial field program will include geological mapping, rock and soil sampling, and geophysics to establish drill targets.

## **Gold Projects**

Constantine controls 100% interest in three gold projects, the Munro-Croesus, Phoenix and Trapper projects. One of these projects is the famous high-grade past-producing Croesus Gold Mine located along the north side of the Porcupine Destor Fault zone, approximately 75 kilometers east of the center of the Timmins gold camp. The Phoenix Gold project in the south Timmins area, Ontario and the Trapper Gold project, northern British Columbia, are 100% acquisitions completed in 2010. Although the Company's recent exploration efforts have been concentrated on the Palmer base metal discoveries, the gold properties are important assets of the Company that provide exposure to high quality gold exploration targets and will be the focus of exploration in the late fall and winter of 2010 and 2011. The Company also has a 50% interest in over 1900 mineral claims in Yukon Territory, with joint venture partner Carlin Gold Corporation.

### *Munro-Croesus Project (Ontario)*

The Munro Croesus property, the Four Corners property located 1.2 kilometers east of Munro Croesus and the JM Property are together referred to as the Munro Croesus Project.

#### *Munro Croesus Gold Property*

The Munro-Croesus property includes the formerly producing Croesus mine, known to have produced some of the highest grade gold ever mined in Ontario. The Company completed two drilling campaigns on the property in early 2008 and early 2009 for a total of 2,864 meters. The drilling was directed to locate the faulted extension of the high-grade Croesus gold vein in the south offset fault block and to follow up a new footwall zone of high-grade gold mineralization (12.2 g/t gold over 0.46m) discovered under the historic mine workings in the 2008 drill program. The dip of the new footwall zone is consistent with the dip of the very high-grade mined out Croesus vein, suggesting that it is a parallel and related zone that requires detailed drilling where it is projected to cross the more favourable carbon-rich sulphidic phase of the Croesus flow rocks.

Some of the flow through funds raised in December 2010 financing will be used for an aggressive drill program to test the immediate Croesus mine at depth and faulted extensions of the Croesus high grade vein. A close spaced, 12 to 15 meter pattern of drill holes planned for mid-February 2011 will test for bonanza grade chutes within the vein structures recently identified in the 2008 and 2009 drill programs. With some of the high grade chutes of the original mined vein material exceeding 20 to 30 percent by weight gold, the Company believes there is good potential for similar as yet undiscovered mineralization to be detectable by off-hole geophysical methods, providing that hole spacing is optimized for target size. Orientation downhole geophysical surveys will be evaluated during the upcoming drill program.

#### *JM Gold Property*

The JM property was acquired by staking in August 2010 and consists of 2 claims (4 units, 65 hectares) immediately to the north of the Munro Croesus property. The property covers the projected extension of the favourable Croesus mine stratigraphy to the northwest of the Croesus Mine. Historical reports and assessment file information will be compiled on the property to guide the follow up work.





### *Four Corners Gold Property*

Constantine has an option agreement in place for the acquisition of a 100% interest in the 63 claim Four Corners property located 1.2 kilometers east of the Munro Croesus property and forms part of the Munro Croesus gold project. The Four Corners property straddles the area between the prolific Porcupine Destor Fault Zone (PDDZ) and the Pipestone Fault Zone, and within the same structural corridor that hosts the high-grade Croesus Mine to the west and the > 2.0 million ounce combined production from the past producing Holt-McDermott and Holloway Mines located 25 kilometers to the east.

The geological setting at Four Corners shares many similarities to classic Archean gold systems and past drilling on the property at the Perry Pond prospect has documented up to 9.37 g/t gold over 1.25 meters, including 14.33 g/t gold over 0.68 meters in the southeast area of the property. In June 2010, new gold zones grading 7.86 g/t over 0.5 meters, 5.0 g/t over 0.5 meters, and 1.18 g/t over 12.25 meters were identified by re-logging and assaying holes drilled by prior owners. Gold occurs within a previously un-sampled section of strong hydrothermal biotite alteration with associated minor quartz veining.

An excavator trenching program carried out in October-November 2010 in an area of old pits and trenches (1920-1930) exposed heavily quartz-veined and strongly iron-carbonate and fuchsite altered komatiitic and tholeiitic volcanic rocks at the Canamax prospect in the northwest part of the property. Previous wide spaced drilling in the Canamax prospect area intersected 2.28 g/t gold over 4.0 meters.

Six drill holes are recommended to test the Perry Pond and Canamax prospects as part of the upcoming Munro Croesus drill program.

### *Phoenix Gold Project (Ontario)*

The Phoenix Gold property agreement signed in April 2010 allows Constantine to earn a 100% interest in 35 claims (519 units ~8304 hectares) located 75 kilometers south of the Timmins gold camp. The claims were staked based on Ontario geological survey airborne magnetic maps that indicate possible westerly extensions of the Matachewan-Kirkland-Larder Lake Break that is associated with Matachewan and Kirkland-Larder Lake gold camps. Favourable Tisdale Group volcanic rocks underlie the property, including several areas of ultramafic rocks that may play an important part in localizing gold deposits near or along fundamental structural breaks or deformation zones. No field work has been carried out on the project to date. Initial work on Phoenix Gold will include completing compilation of previous assessment work followed up by surface prospecting, possibly soil sampling and selected areas for geological mapping. A GIS compilation of government data and historic exploration is partially completed. Some reconnaissance geological work is also planned for spring, 2011.

### *Trapper Gold Project (British Columbia)*

In April 2010 the Company signed an agreement to acquire an undivided 100% interest in 9 contiguous mining claims (3,756 hectares) that make up the Trapper Gold property, which is located in the Atlin Mining Division in northern British Columbia. The property lies 45 km north of the Golden Bear mine road, accessed from Dease Lake and 200 km south of the Yukon-BC border. The property covers a very large gold-in-soil anomaly that has yet to be drill tested. The gold anomaly was originally established by Chevron Minerals of Canada in the early 1980's, with more than 900 soil samples defining a greater than one kilometer long zone that averages 100 to 200 meters in width and remains open ended along strike. Within the anomaly, 25 individual soil samples yielded gold values greater than 1000 ppb gold (1.0 g/t), and two sites yielded >8000 ppb (8.0 g/t) gold. Recent reconnaissance soil sampling by Constantine 1000 meters along trend has expanded the gold anomaly to over 2 kilometers in length. The gold anomaly is associated with mafic volcanic rocks assigned to the Triassic aged Stuhinni Group that are intruded by diorite and dacitic feldspar porphyry stocks. Extensive iron carbonate-silica alteration suggests that the soil anomaly is associated with a robust large scale hydrothermal system.



In November 2010 the Company signed an option agreement with Ocean Park Ventures Corp. (“Ocean Park”)(TSX-V: OCP) on the 100% owned Trapper Gold in northwest British Columbia. Pursuant to the terms of the option agreement, Ocean Park paid the Company \$100,000 and issued 100,000 Ocean Park shares to Constantine. In order to maintain the option and earn a 50% interest in the property, Ocean Park must make cumulative exploration expenditures on the Property totaling \$4,750,000 over the next 3 years. In addition, Ocean Park must issue an additional 900,000 common shares to Constantine as follows: 200,000 shares by the second anniversary, 300,000 shares by third anniversary and 400,000 shares by December 15, 2014.

After completing its \$4,750,000 in exploration expenditures and issuing the share consideration to Constantine to earn the 50% interest, Ocean Park may elect to extend the option and earn an additional 20% interest, for a total interest of 70%. To earn the additional 20% interest, Ocean Park must issue an additional 500,000 common shares by December 15, 2015 and spend an additional \$5,000,000 in exploration expenditures on the Property within three years, with a minimum annual expenditure of \$1,000,000.

In the event that the Ocean Park exercises the option, Ocean Park and Constantine will enter into a joint venture to further develop the Property, with each party contributing to their pro rata portion of the approved exploration program. If, at any time, a party’s interest in the joint venture is reduced to below ten per cent, it shall be deemed to have conveyed its interest proportionately to the other party in consideration of the right to receive a 2% net smelter royalty (“NSR”) for gold below US\$1,000/oz, and 3% if above. One-half of the NSR and a right of first refusal on the other half can be repurchased by the other party for \$2,500,000.

The minimum exploration program required by Ocean Park to maintain its option in 2011 is \$750,000. It is expected that the 2011 program will include some diamond drilling.

#### *Constantine-Carlin Gold Yukon JV project*

A Joint Venture (Constantine-Carlin Yukon JV) was established between Constantine and Carlin Gold Corporation (“Carlin”, TSX-V: CGD) in September 2010 to jointly target and explore emerging new gold districts in the Yukon. The Joint Venture moved quickly to evaluate and acquire by staking a large land position in an area that shows signs of becoming a major new gold district. Claims were staked specifically to cover tracts of ground with geochemical and geological elements characteristic of Carlin-type gold systems. The Yukon JV combines Carlin Gold’s extensive experience exploring for ‘Carlin-type’ gold deposits in Nevada with Constantine’s expertise and familiarity in the North. The recently staked claims are distributed in seven blocks that total 39,700 hectares (153 square miles) focused on areas with regional geochemical stream silt anomalies with elevated gold, arsenic, antimony, and mercury, located primarily in lower Paleozoic strata with associated carbonates. Several samples contain values of pathfinder elements that exceed the 95th percentile, including the fifth highest arsenic value for the entire Yukon government database of over 30,000 samples. Stream sediment gold values on the claims range from < 5ppb to over 300 ppb. Subsequent to year end, the Constantine-Carlin JV signed an option purchase agreement on the Aztec property that was a target identified during the analysis of the Yukon geological/geochemical database. There is a known gold occurrence on the property.

For years, gold mining companies have searched the globe for the next Carlin-type gold district, and the new Osiris discovery by Atac Resources Ltd. has, with little question, documented Carlin-type sediment hosted gold mineralization in the Yukon. The potential significance of this discovery is enormous when considering Nevada’s Carlin-type deposits are typically large and high grade and have produced over 100 million ounces of gold since discovery in the 1960s. . Carlin-type deposits occur in a specific tectonic setting and have unique geological characteristics. Key characteristics of Carlin-type gold environments





that are present at the Company's newly staked claims in the vicinity of the new Osiris discovery include:

- Favourable carbonate-bearing host rock sequences
- Proximity to documented occurrences of low-temperature arsenic minerals (realgar and orpiment)
- Ancient continental margin tectonic setting, similar to Nevada
- Prominent regional scale thrust faults similar to those present in the Carlin-type environment in Nevada
- Presence of regional-scale antiforms that may present structural traps for gold mineralization
- Key pathfinder elements in regional stream sediments

The Constantine-Carlin JV is planning intensive silt, soil and rock sampling programs as part of the 2011 field season for initial field evaluation of the new claim blocks

## **Results of Operations**

### *Mineral Property Acquisitions and Expenditures*

In the year ended October 31, 2010 the Company incurred expenditures of \$3,137,760 on its mineral properties. The majority of those expenditures (\$2,887,593) were incurred on the Palmer project in Alaska, where the Company completed a 10-hole drill program.

Mineral properties costs for the year also included \$25,250 in option payments of cash (\$20,000) and stock (deemed value: \$5,250) in order to maintain the Company's option on the Four Corners property in Ontario. In August 2010, Constantine acquired the JM claims in Munro Township immediately to the northwest of the Munro Croesus property for nominal cost. The 4 claims are 100% owned by the Company.

In April 2010 the Company acquired the Phoenix Gold property in north-eastern Ontario for an initial option payment of \$15,000 and \$65,975 in staking and other project costs.

In April 2010 the Company acquired another gold exploration project, the Trapper Gold property in northern British Columbia, for an initial cash outlay of \$15,000. In November 2010, Constantine optioned the property to Ocean Park Ventures Corp. and received an initial option payment of \$100,000 and 100,000 shares from Ocean Park. Under the terms of the option agreement, Ocean Park must spend at least \$750,000 on the property by December 15, 2011 in order to maintain its option rights.

In November 2010, the Company entered into a 50/50 joint venture agreement with Carlin Gold Corporation and, together with Carlin, staked an aggregate of 1,900 mineral claims in the Yukon Territory. The Company's 50% share of staking and other joint venture costs at January 31, 2011 was \$317,268.

### *Operating Costs*

Net expenses of \$722,834 for 2010, which include non-cash stock based compensation costs of \$52,170 (2009-\$398,724), remained level with the previous year (\$907,037). The biggest increase in 2010 expenses was in General and Administrative costs, which increased from \$168,293 in 2009 to \$359,968 in 2010. For the year ended October 31, 2010, General and Administrative costs consisted of:



<u>General and Administrative expenses</u>	<u>Amount</u>
Conferences, trade shows and advertising	\$221,850
Accounting and administration	61,499
Office expenses	38,128
Transfer agent, listing and filing fees	24,223
Other	14,268
Total	<u>\$359,968</u>

General and administrative costs increased primarily in the area of conferences and advertising, as the Company increased its participation and exposure at investment conferences and technical trade shows during the past year. The Company expects this level of costs to continue during the next fiscal year.

Consulting expenses of \$92,175 for the year were a new expense category in 2010, and represented the Company's technical and administrative costs that were not charged to a specific mineral project. These costs were anticipated, as the Company utilized its technical resources more for non-specific projects and general and administrative functions during the year.

Investor relations costs also increased in 2010, from \$37,248 in 2009 to \$83,197, as the Company continued to commit greater resources to higher visibility and communications with the financial community.

The Company realized an \$89,637 gain on foreign exchange in the year ended October 31, 2010 (2009-\$78,338 loss) due to favorable fluctuations in the US dollar during the year.

#### Selected Annual Information

Selected annual information for the three years ended October 31, 2010, 2009 and 2008 are as follows:

<i>at October 31,</i>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Loss before other items	\$ (722,834)	\$ (907,037)	\$ (611,431)
Net loss for the year	(722,834)	(817,037)	(480,984)
Loss per share	(0.01)	(0.02)	(0.02)
Total assets	12,922,613	9,887,209	7,000,081
Total liabilities	119,729	219,358	80,592
Total shareholders' equity	12,802,884	9,667,851	6,919,489

#### **Summary of Quarterly Results**

In the quarter ended October 31, 2010, the Company incurred expenditures of \$1,010,048 (2009-\$2,075,585) on mineral properties. Of this amount, \$903,904 was incurred on the Palmer project, as the Company was at the peak of its summer drill program.

The Company incurred a loss of \$123,953 (2009-\$318,849) for the quarter. General and administrative costs of \$88,938 (2009-\$74,809) were the largest component of expenses and were higher than the same period last year, due to the larger scope of the Company's operations and activities in 2010. Investor relations expenses of \$24,394 (2009-\$22,654) during the quarter were slightly higher than last year as the Company continued to expend greater resources to a higher investor relations profile than the previous year. Quarterly expense figures in the fourth quarter of 2010 also included a \$72,499 net credit, following an accounting re-allocation of payroll costs to mineral projects.



The following is a summary of certain consolidated financial information of the Company for the past eight quarters:

For Quarter Ended	Income (Loss)	Income (Loss) per share
October 31, 2010	\$ (123,953)	\$(0.01)
July 31, 2010	(118,002)	(0.01)
April 30, 2010	(258,040)	(0.01)
January 31, 2010	(222,839)	(0.01)
October 31, 2009	(318,849)	(0.01)
July 31, 2009	(106,453)	(0.01)
April 30, 2009	(166,481)	(0.01)
January 31, 2009	(225,254)	(0.02)

### Liquidity and Capital Resources

The Company is not in commercial production on any of its mineral properties and accordingly, it does not generate cash from operations. The Company finances its activities by raising capital through the equity markets.

The Company's cash position at October 31, 2010 was \$193,082 (2009-\$372,729) and its working capital at October 31, 2010 was \$180,199 (2009-\$221,551). The Company completed a \$3,500,000 equity financing in December 2010, and its cash position as of the date of this report is approximately \$2,700,000.

The Company is dependent on equity capital to fund exploration and development of its mineral properties. Constantine will require additional working capital in the near term to fund further exploration work and ongoing operating costs. Actual funding requirements may vary from those planned due to a number of factors, including the timing and progress of exploration activities.

At this time, the Company has no material contractual commitments for capital expenditures.

### Off-Balance Sheet Arrangements

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

### Related Party Transactions

Certain directors and officers of the Company provided specific services to the Company during the year as follows:



<i>as at October 31</i>	<i>2010</i>	<i>2009</i>
Management and technical fees paid or accrued to		
companies owned by directors	\$ 30,172	46,828
Consulting fees paid to officers	129,775	240,275
Accounting and administration fees paid or accrued to a company 50% owned by an officer of the Company	60,000	60,000
	\$ 219,947	347,103

### Management of Capital

The Company manages its cash, common shares and stock options as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account.

### Use of Proceeds from Financings

<i>Planned Use of Proceeds as Previously Disclosed</i>	<i>Actual Use of Proceeds to October 31, 2010</i>
December 2008 Flow-Through Financing:	
<ul style="list-style-type: none"> <li>• \$300,000 to be used to incur eligible Canadian Exploration Expenses on the Munro-Croesus Project.</li> </ul>	<ul style="list-style-type: none"> <li>• All funds have been applied as committed.</li> </ul>
July 2009 Financing:	
<ul style="list-style-type: none"> <li>• \$3 million to be used on exploration of the the Palmer Project and for general and administrative and working capital purposes.</li> </ul>	<ul style="list-style-type: none"> <li>• All funds have been applied as committed.</li> </ul>
November 2009 Financing:	
<ul style="list-style-type: none"> <li>• \$1.4 million to be used on exploration on Palmer Project and for general and administrative and working capital purposes.</li> </ul>	<ul style="list-style-type: none"> <li>• All funds have been applied as committed.</li> </ul>



## Summary of Outstanding Share Data

At October 31, 2010, the Company had 80,155,522 shares outstanding.

The following warrants and stock options were outstanding at October 31, 2010:

		Price per Share	Expiry Date
Compensation options	217,500	\$0.30	Nov. 24, 2010
Warrants	3,608,750	\$0.30	Nov. 24, 2011
Stock options	1,425,000	\$0.40	May 11, 2011
Stock options	390,000	\$0.57	Feb. 13, 2013
Stock options	1,175,000	\$0.13	Jan. 12, 2014
Stock options	2,200,000	\$0.235	Oct. 27, 2014
	9,016,250		

## Recent Accounting Pronouncements – Not Yet Adopted

### *Business Combination, Consolidated Financial Statements and Non-controlling interest*

For interim and annual financial statements relating to its fiscal year commencing on or after January 1, 2011, the Company will be required to adopt new CICA Section 1582 “Business Combinations”, Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests”. Section 1582 replaces existing Section 1581 “Business Combinations”, and Sections 1601 and 1602 together replace Section 1600 “Consolidated Financial Statements.” The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 “Business Combinations” and International Accounting Standard IAS 27 “Consolidated and Separate Financial Statements” respectively. The impact of adopting these new standards has not yet been assessed and cannot reasonably be estimated at this time.

### *International Financial Reporting Standards (“IFRS”)*

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date is November 1, 2011, and will require the restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2011.

The Company has commenced a review of the Canadian equivalents to IFRS. At this stage in the transition project, a small number of areas have been identified that may have an impact on the Company's financial statements. The Company expects there may be changes with respect to accounting policies on deferred development expenditures and foreign currency translation. As of this date, the Company is still considering an IFRS changeover plan, and has completed an initial diagnostic and review. As the review of Canadian GAAP equivalents to IFRS proceeds, other areas may be identified that impact on the financial statements of the Company. It should be noted that Canadian GAAP



to IFRS may be amended prior to mandatory adoption.

Management has considered the differences between Canadian GAAP and IFRS as they impact Constantine. The review to date has found that there are likely to be no material differences to the majority of line items appearing in the Constantine balance sheet and income statement from what has been reported under Canadian GAAP if the recognition and measurement provisions of IFRS were applied. It should be noted that, in making this assessment, a full conversion exercise considering every recognition, measurement, presentation and disclosure differences that exists between the two bases of accounting (i.e. Canadian GAAP and IFRS) has not been completed.

The specific areas where no applicable differences in recognition and measurement have been identified between IFRS and Canadian GAAP are cash, receivables, trade and other payables and capital lease obligations.

### **Disclosure Controls and Procedures**

Management is responsible for the design, establishment and maintenance of disclosure controls and procedures over the public disclosure of financial and non-financial information regarding the Company and internal control over financial reporting to provide reasonable assurance regarding the integrity of the Company's financial information and reliability of its financial reporting. Management maintains appropriate information systems, procedures and controls to ensure integrity of the financial statements and to ensure that information used internally and disclosed externally is complete and reliable.

### **Corporate Governance**

Management of the Company is responsible for the preparation and presentation of the interim and annual financial statements and notes thereto, MD&A and other information contained in this MD&A. Additionally, it is management's responsibility to ensure the Company complies with the laws and regulations applicable to its activities.

The Company's management is held accountable to the Board of Directors ("Directors"), each member of which is elected annually by the shareholders of the Company. The Directors are responsible for reviewing and approving the annual audited financial statements and MD&A. Responsibility for the review and approval of the Company's unaudited interim financial statements and MD&A is delegated by the Directors to the Audit Committee, which is comprised of three directors, two of whom are independent of management. Additionally, the Audit Committee pre-approves audit and non-audit services provided by the Company's auditors.

The auditors are appointed annually by the shareholders to conduct an audit of the financial statements in accordance with generally accepted auditing standards. The external auditors have complete access to the Audit Committee to discuss the audit, financial reporting and related matters resulting from the annual audit as well as assist the members of the Audit Committee in discharging their corporate governance responsibilities.

### **Forward-Looking Statements**

Forward-looking statements include, but are not limited to statements regarding the use of proceeds, costs and timing of the development of new deposits, statements with respect to success of exploration and development activities, permitting time lines, currency fluctuations, environmental risks, unanticipated reclamation expenses, and title disputes or claims.

Forward-looking statements often, but not always are identified by the use of words such as "plans",





“seeks”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “targets”, “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”, “should”, “could”, “would”, “might”, “will”, or “will be taken”, “occur” or “be achieved”.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These statements are based on a number of assumptions and factors, including assumptions regarding general market conditions; future prices of gold and other metals; possible variations in ore resources, grade or recovery rates; actual results of current exploration activities; actual results of current reclamation activities; conclusions of future economic evaluations; changes in project parameters as plans continue to be refined; failure of plant, equipment, or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; risks related to joint venture operations; timing and receipt of regulatory approvals of operations; the ability of the Company and other relevant parties to satisfy regulatory requirements; the availability of financing for proposed transactions and programs on reasonable terms; the ability of third-party service providers to deliver services on reasonable terms and in a timely manner; and delays in the completion of development or construction activities. Other factors that could cause the actual results to differ include market prices, results of exploration, availability of capital and financing on acceptable terms, inability to obtain required regulatory approvals, unanticipated difficulties or costs in any rehabilitation which may be necessary, market conditions and general business, economic, competitive, political and social conditions. Additional factors are discussed in the Company’s October 31, 2010 MD&A, filed on SEDAR, at [www.sedar.com](http://www.sedar.com), in the sections titled “*Risk Factors*”. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, there may be other factors which cause actual results to differ. Significant additional drilling is required by the Company at its Palmer property to fully understand the system size before a meaningful resource can be calculated and completed. Accordingly, readers should not place undue reliance on forward-looking statements.

Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable securities laws.

## **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 monitors its risk based activities and periodically 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 and 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 located in Alaska, USA and in British Columbia and Ontario, Canada. While the political climate in Alaska, Idaho, British Columbia and Ontario is considered by the Company to be stable, there can be no assurances that this will continue indefinitely. To alleviate such risk, the Company 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 (Palmer Project) and the environmental laws and regulations of Canada and the province of Ontario (Munro-Croesus and Phoenix Gold Project) and British Columbia (Trapper Gold property). As such laws are subject to change, the Company monitors proposed and potential changes and management believes the Company remains in compliance with current environmental regulations in the relevant jurisdictions.

Constantine has assumed the environmental liability at the Croesus minesite on the Munro Croesus property. A 250,000 share portion of the total 750,000 share payment is escrowed until later this year to cover liability costs over a certain amount. To date we have not incurred any costs and do not expect that the final costs will be material, however it does remain an uncertain liability. The Ontario government requires a closure plan if the claims are abandoned or become inactive and the requirements of the plan may require some environmental reclamation costs. The previous owner completed remediation of what the Company considers to be the major liabilities, which included capping the Walsh and Croesus shafts. The Croesus minesite was visited by a mines inspector in September 2010, but we have not yet received any recommendations or requests as a result of this visit.

There may be environmental liabilities related to the prior historical workings of the recently acquired Hornet Creek property in Idaho, U.S.A.

### *Operational*

Exploration development projects require third party contractors for the execution of certain activities. The availability and cost of third party contractors is subject to a competitive environment for their use, which is beyond the control of the Company.

### *Credit risk*

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the balance sheet and arises from the Company's cash and receivables.



The Company's cash is held primarily through a Canadian chartered bank, which is a high-credit quality financial institution. The credit risk in receivables is considered low by management as it consists primarily of amounts owing for Canadian government sales tax credits.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2010, the Company had a cash balance of \$193,082 to settle current liabilities of \$119,729, most which were paid subsequent to the end of the fiscal year. All of the Company's financial liabilities have maturities of 30 days or are due on demand and are subject to normal trade terms.

#### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

##### (a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposits issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

##### (b) Foreign currency rate risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is insignificant and therefore does not hedge its foreign exchange risk.

#### *Sensitivity analysis*

The carrying value of cash, receivables, accounts payable and accrued liabilities, and amounts closely approximate their fair values in view of the relatively short periods to maturities of these financial instruments.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by credit risk, liquidity risk or market risk.

#### **Effectiveness of Disclosure Controls**

The Chief Financial Officer and Chief Executive Officer have evaluated the effectiveness of the Company's disclosure controls as of October 31, 2010. They have concluded that the Company's disclosure controls and procedures provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company, particularly during the period during which this report was being made.



### **Approval**

Mr. Darwin Green, vice-president of exploration of the Company and a Qualified Person, has reviewed and approved the technical information contained in this report.

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

### **Additional Information**

Additional disclosures pertaining to the Company's technical reports, management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## **AUDITORS' REPORT**

To the Shareholders of Constantine Metal Resources Ltd.,

We have audited the consolidated balance sheets of Constantine Metal Resources Ltd. as at October 31, 2010 and 2009 and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for each of the years then ended. 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 audits.

We conducted our audits 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2010 and 2009 and the results of its operations and cash flows for each of the years ended in accordance with Canadian generally accepted accounting principles.

*De Visser Gray LLP*

**CHARTERED ACCOUNTANTS**  
Vancouver, British Columbia  
February 8, 2011



Consolidated Balance Sheets  
As at October 31, 2010 and 2009

	2010	2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 193,082	\$ 372,729
Accounts receivable	78,424	35,783
Prepaid expenses	28,422	32,397
	<b>299,928</b>	<b>440,909</b>
Mineral properties (Schedule, note 3)	<b>12,578,301</b>	9,440,541
Equipment (note 7)	<b>44,384</b>	5,759
	<b>\$ 12,922,613</b>	<b>\$ 9,887,209</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 113,289	\$ 215,086
Due to related parties (note 5)	6,440	4,272
	<b>119,729</b>	<b>219,358</b>
<b>Shareholders' equity</b>		
Share capital (note 4)	<b>14,422,352</b>	10,573,725
Contributed surplus (note 4a)	<b>1,263,278</b>	1,254,038
Deficit	<b>(2,882,746)</b>	(2,159,912)
	<b>12,802,884</b>	<b>9,667,851</b>
	<b>\$ 12,922,613</b>	<b>\$ 9,887,209</b>

Nature of Operations (note 1)  
Subsequent Events (note 12)  
Commitments (note 11)

Approved by the Board of Directors:

"J. Garfield MacVeigh" Director

"K. Wayne Livingstone" Director





Consolidated Statements of Operations, Comprehensive Loss and Deficit  
For the years ended October 31, 2010 and 2009

	2010	2009
Expenses:		
Amortization	4,258	542
Consulting	92,175	-
Foreign exchange (gain)	(89,637)	78,338
General and administrative	359,968	168,293
General exploration	250	509
Insurance	31,770	19,402
Interest (income) expense	(4,737)	8,693
Investor relations	83,197	37,248
Legal	24,429	22,085
Management fees	12,000	12,000
Professional fees – audit	21,900	20,304
Payroll expenses	67,348	27,028
Rent	18,067	18,074
Shareholder communications	17,568	13,927
Stock based compensation (note 4c)	52,170	398,724
Travel	32,108	81,870
Loss before income taxes	\$ (722,834)	\$ (907,037)
Future income tax recovery	-	90,000
<b>Net and comprehensive loss for the year</b>	<b>(722,834)</b>	<b>\$ (817,037)</b>
Deficit, beginning of year	(2,159,912)	(1,342,875)
Deficit, end of year	\$ (2,882,746)	\$ (2,159,912)
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	77,194,628	35,849,226



Consolidated Statements of Cash Flows  
For the years ended October 31, 2010 and 2009

	2010	2009
Cash and cash equivalents provided by (used in):		
Operations:		
Net loss for the year	\$ (722,834)	\$ (817,037)
Amortization	4,258	542
Future income tax recovery	-	(90,000)
Stock-based compensation (note 4c)	52,170	398,724
Changes in non-cash working capital accounts:		
Accounts receivable	(42,641)	51,970
Accounts payable	(10,626)	30,119
Due to related parties	2,168	212
Prepaid expenses	3,975	(13,697)
	<b>(713,530)</b>	<b>(439,167)</b>
Investing activities:		
Mineral property expenditures (Schedule, note 3)	(3,223,681)	(3,022,692)
Purchase of equipment	(42,883)	(3,974)
	<b>(3,266,564)</b>	<b>(3,026,666)</b>
Financing activities:		
Private placement proceeds (note 4a)	1,400,000	3,300,000
Less: share issuance costs paid in cash	(11,866)	(49,925)
Stock options exercised (note 4c)	7,313	-
Warrants exercised (note 4(a) ii)	2,405,000	-
	<b>3,800,447</b>	<b>3,250,075</b>
Net decrease in cash	\$ (179,647)	\$ (215,758)
Cash and cash equivalents, beginning of year	372,729	588,487
Cash and cash equivalents, end of year	\$ 193,082	\$ 372,729

Supplemental disclosure of non-cash financing and investing activities:

Value of shares issued for mineral properties	\$ 5,250	\$ 6,600
Shares issued for finder's fees	\$ 52,200	\$ 120,000
Interest paid	\$ 728	\$ 8,919
Warrants issued for finder's fee	\$ 32,984	\$ 70,192
Accounts payable related to mineral properties	\$ 67,098	\$ 158,269



Schedule of Deferred Mineral Property Costs  
For the years ended October 31, 2010 and 2009

	Balance October 31, 2008	Fiscal 2009 Expenditures	Balance, October 31 2009	Fiscal 2010 Expenditures	Balance, October 31 2010
<b>Palmer Property, Alaska, USA (note 3a)</b>					
Acquisition costs	\$ 878,712	\$ -	\$ 878,712	\$ -	\$ 878,712
Advance royalty payments	114,166	49,237	163,403	44,536	207,939
Alaska labour	-	167,724	167,724	264,150	431,874
Prop. acquisition & maint. cost	-	9,598	9,598	9,116	18,714
Assaying and testing	91,563	51,061	142,624	43,097	185,721
Field transportation	1,249,857	597,287	1,847,144	670,529	2,517,673
Geophysics	39,012	87,760	126,772	207,844	334,616
Drilling	1,583,615	1,070,873	2,654,488	1,017,840	3,672,328
Property filing and maintenance fees	140,296	55,116	195,412	52,058	247,470
Geology and field support	972,839	230,452	1,203,291	296,816	1,500,107
Technical consulting	257,373	318,267	575,640	230,588	806,228
Travel	51,983	37,072	89,055	51,019	140,074
	<u>5,379,416</u>	<u>2,674,447</u>	<u>8,053,863</u>	<u>2,887,593</u>	<u>10,941,456</u>
<b>Munro-Croesus Property, ON, Canada (note 3b)</b>					
Acquisition costs	428,915	4,860	433,775	3,066	436,841
Assaying and testing	11,880	10,018	21,898	4,651	26,549
Drilling	309,382	114,819	424,201	-	424,201
Field transportation	4,926	2,813	7,739	1,569	9,308
Geophysics	1,800	93,329	95,129	-	95,129
Travel	9,413	14,260	23,673	3,299	26,972
Geology and field support	36,232	67,236	103,468	2,608	106,076
Technical consulting	53,750	90,960	144,710	39,869	184,579
	<u>856,298</u>	<u>398,295</u>	<u>1,254,593</u>	<u>55,062</u>	<u>1,309,655</u>
<b>Four Corners Property, ON, Canada (note 3c)</b>					
Acquisition costs	24,581	18,600	43,181	25,250	68,431
Drilling	34,235	-	34,235	-	34,235
Geophysics	-	46,030	46,030	-	46,030
Field Transportation	-	130	130	-	130
Travel	252	-	252	-	252
Technical consulting	7,682	225	7,907	16,837	24,744
Geology and field support	350	-	350	12,017	12,367
	<u>67,100</u>	<u>64,985</u>	<u>132,085</u>	<u>54,104</u>	<u>186,189</u>
<b>Phoenix Gold Property, ON, Canada (note 3d)</b>					
Acquisition costs	-	-	-	80,975	80,975
	-	-	-	80,975	80,975
<b>Trapper Gold Property, B.C., Canada (note 3e)</b>					
Acquisition costs	-	-	-	16,981	16,981
Assaying and testing	-	-	-	3,809	3,809
Field transportation	-	-	-	3,439	3,439
Geology and field support	-	-	-	11,439	11,439
Technical consulting	-	-	-	5,750	5,750
Travel	-	-	-	4,712	4,712
	-	-	-	46,130	46,130
<b>Other (note 3f)</b>					
	-	-	-	13,896	13,896
<b>Total Mineral Property Costs</b>	<u>\$ 6,302,814</u>	<u>\$ 3,137,727</u>	<u>\$ 9,440,541</u>	<u>\$ 3,137,760</u>	<u>\$ 12,578,301</u>



Notes to Consolidated Financial Statements  
For the years ended October 31, 2010 and 2009

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**1. Nature of Operations**

The Company was incorporated under the Business Corporations Act (British Columbia) on March 3, 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 and to bringing on a major mining partner for development of the assets. The Company may sell property for an enhanced value or seek a major mining partner to advance one of its projects on a joint venture basis. Currently the Company is principally engaged in the exploration of mineral properties which cannot be considered economic until a commercial feasibility study has been completed. 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.

The Company has not generated any revenue since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. As at October 31, 2010, the Company has incurred losses since inception and has an accumulated operating deficit of \$2,882,746. Subsequent to the year-end, the Company completed a significant equity financing, as discussed in note 12. However, its long term viability remains dependent upon its ability to obtain necessary equity financing to continue operations and to determine the existence, discovery and successful exploitation of economically recoverable reserves in its resource properties, confirmation of the Company's interests in the underlying properties, and the attainment of profitable operations.

**2. Significant Accounting Policies**

a) Basis of presentation

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

b) Recent Accounting Pronouncements – Not Yet Adopted

*(i) Business combination, Consolidated Financial Statements and Non-controlling interest*

For interim and annual financial statements relating to its fiscal year commencing on or after January 1, 2011, the Company will be required to adopt new CICA Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests". Section 1582 replaces existing Section 1581 "Business Combinations", and Sections 1601 and 1602 together replace Section 1600 "Consolidated Financial Statements." The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 "Business Combinations" and International Accounting Standard IAS 27 "Consolidated and Separate Financial Statements" respectively. The impact of adopting these new standards has not yet been assessed and cannot reasonably be estimated at this time.

*(ii) International financial reporting standards ("IFRS")*

In February 2008 the Accounting Standards Board confirmed that International Financial Reporting Standards (IFRS) will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Company's first mandatory filing under IFRS,

Notes to Consolidated Financial Statements  
For the years ended October 31, 2010 and 2009

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which will be the quarterly period beginning November 1, 2011, will contain IFRS-compliant information on a comparative basis, as well as reconciliations for that quarter and as at the November 1, 2010 transition date. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The Company is considering a plan for IFRS convergence and has started the assessment process. Detailed analysis of the differences between IFRS and the Company's accounting policies and assessment of the various alternatives for first time adoption of IFRS are in progress.

c) 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.

d) Future income tax

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.

e) 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.

f) Vehicles, equipment and leasehold improvements

Equipment, vehicles, and leasehold improvements are recorded at cost. The Company provides for amortization on vehicles using the 30% declining balance method; on office equipment using the 20% declining balance method; and on leasehold improvement the straight-line method over the life of the lease, with half of this rate used in the year of acquisition.

g) Loss per share

Basic loss per share is computed by dividing 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.

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The result of this calculation is anti-dilutive to basic loss per share and is therefore not presented in those circumstances.

h) Environmental protection and rehabilitation costs

The operations of the Company have been, and may in the future be, affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company may vary from region to region and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures. Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending upon their future economic benefits. The Company does not anticipate any material capital expenditures for environmental control facilities because it is at an early stage of exploration. Estimated future removal and site restoration costs are considered minimal.

i) Stock-based compensation

In connection with incentive stock options granted by the Company to its officers, directors, employees and consultants, an expense is recognized over the vesting period based on the estimated fair value of the options on the date of the grant as determined using an option pricing model. The expense is charged to stock-based compensation and the offset is credited to contributed surplus. Cash received on exercise of incentive stock options is credited to share capital along with any contributed surplus amounts previously recorded that are applicable to the options exercised.

j) 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.

k) 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.

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





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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.

l) Flow-through common shares

The Company may finance a portion of its exploration activities through the issue of flow-through shares, which transfers the income tax deductibility of the exploration expenditures to the investor. Proceeds received on the issuance of such shares are credited to share capital, and the subsequent expenditure of these monies is charged to the related exploration costs incurred. At the date of renunciation of the tax benefits to the investors, the Company recognizes a future tax liability based on the difference between the amount renounced and the deferred carrying cost of the related expenditures on the Company's balance sheet, if any, and a share issuance cost is recorded for this amount. Previously unrecognized future income tax assets may then subsequently be recognized to reduce this liability, with the offsetting credit recorded in current operations.

m) 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.

n) Share issue costs

Costs incurred to issue common shares are deferred until the related shares are issued, at which time they are offset against share capital. Agent's options granted in connection with financings are assigned fair values on a similar basis to options granted as compensation as described above, with the expense recorded as a share issue cost.

**3. Mineral Properties (see Schedule of Deferred Mineral Property Costs)**

a) Palmer Property, Alaska, USA

On April 13, 2006 the Company acquired all of the outstanding common shares of Constantine North, in consideration for one common share at nominal value and the assumption of all intercorporate debt owing by Constantine North. The transaction was measured under the purchase method of accounting and based on a carrying cost of \$878,712. The consideration paid was allocated entirely to the Palmer property, which was the sole identifiable asset of Constantine North.

The Palmer property is comprised of 340 federal mining claims subject to a 99 year mining lease, dated December 19, 1997, and 63 state 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 \$47,600 in 2010. The lease is subject to a 2.5% net smelter return ("NSR") royalty. The Company has a right of first refusal to purchase the NSR or



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any portion thereof at any time during the term of the lease. The advance royalty payments are deductible from the NSR royalty.

b) Munro-Croesus Property, Ontario

On October 26, 2007 the Company completed an agreement to acquire 100% of the Munro-Croesus gold mineral property, including the former Munro-Croesus Gold mine, consisting of 22 patented mining claims and leases (416 hectares), located 90 kilometers east of Timmins, Ontario.

The Company paid \$40,000 in cash and issued 500,000 shares at a value of \$0.70 per share in consideration of the property assets acquired. According to the agreement, a further 250,000 shares are to be issued to the vendor, subject to confirmation of certain environmental conditions as specified in the agreement, prior to October 26, 2011. The vendor retains a 2% NSR production royalty of which 0.5% can be purchased by the Company for \$1,000,000, with a right of first refusal on the remaining 1.5% royalty.

The Company is reviewing the environmental remediation requirements in respect to this property and at this time is not aware of any material reclamation obligation, and no such provision has been recorded.

In February 2009 the Company issued 15,000 shares in accordance with the terms of an Exploration Agreement signed with the Wahgoshig First Nation.

c) Four Corners Property, Ontario

In February 2008 the Company entered into an option agreement to acquire a 100% interest in the 63 claim Four Corners property located east of Timmins, Ontario. In order to acquire the 100% interest, the Company must make payments totaling \$75,000 (of which \$30,000 has been paid) and issue 100,000 shares over a 3 year period (10,000 shares issued at closing). The vendors will retain a 2.5% NSR royalty of which 1.0% can be purchased by the Company at any time for \$500,000, with a right of first refusal on the remaining 1.5% NSR royalty.

In February 2010, \$20,000 cash was paid and 25,000 shares of the Company were issued to the vendors, in accordance with the terms of the option agreement.

d) Phoenix Gold Property, Ontario

In May 2010 the Company signed an agreement to acquire an undivided 100% interest in 35 claims (519 units comprising approximately 8,304 hectares) located 75 kilometers south of the Timmins gold camp. In order to acquire a 100% interest in the project, the Company must make cash payments totaling \$75,000 (\$15,000 paid on signing the agreement) and issue 90,000 shares or pay \$90,000 in cash, at the Company's election, over a 4 year period. The vendor will retain a 2.5% NSR royalty of which 1.0% can be purchased by the Company at any time for \$500,000 with the Company retaining a right of first refusal on the remaining 1.5%.

e) Trapper Gold Property, B.C.

In May 2010 the Company signed an agreement to acquire an undivided 100% interest in 9 contiguous mining claims (3,756 hectares) that comprise the Trapper gold property, located in the Atlin Mining Division in northern British Columbia. In order to acquire a 100% interest in the project, the Company must make cash payments totaling \$135,000 (\$15,000 paid on signing the agreement) and issue 155,000 common shares or pay \$155,000 in cash, at the Company's election, over a 4



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year period. The vendor will retain a 2.5% NSR royalty of which 1.0% can be purchased by the Company at any time for \$500,000, with a right of first refusal on the remaining 1.5%. Refer to note 12(c).

f) Other mineral properties

During the current year the Company incurred deferred costs on two mineral projects that were not formally acquired until subsequent to October 31, 2010. Refer to notes 12(a) and 12(e).

As at October 31, 2010, the Company had incurred aggregate expenses of \$1,750 on the Carlin-Constantine Yukon joint venture project and \$12,146 on the Hornet Creek project.

**4. Share Capital**

a) Details of share capital:

	Shares	Amount	Contributed Surplus
Authorized:			
Unlimited common shares without par value			
Issued:			
Balance – October 31, 2008	33,261,772	\$ 7,477,242	\$ 785,122
Shares issued for flow-through private placement, at \$0.20 per share	1,500,000	300,000	-
Less: private placement issuance costs	-	(90,000)	-
Shares issued for mineral property	15,000	3,600	-
Shares issued for mineral property	15,000	3,000	-
Private placement, at \$0.12 per share	25,000,000	3,000,000	-
Less: private placement issuance costs	-	(240,117)	70,192
Finder's shares on private placement	1,000,000	120,000	-
Stock option compensation	-	-	398,724
Balance – October 31, 2009	60,791,772	10,573,725	1,254,038
Proceeds from exercise of stock options	56,250	13,035	(5,722)
Private placement, at \$0.20 per share	7,000,000	1,400,000	-
Less: private placement issuance costs	-	(97,050)	32,984
Finders' shares on private placement	217,500	52,200	-
Proceeds from exercise of warrants	12,025,000	2,475,192	(70,192)
Shares issued for mineral property	25,000	5,250	-
Stock option compensation	-	-	52,170
Balance – October 31, 2010	80,115,522	\$ 14,422,352	\$ 1,263,278



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For the years ended October 31, 2010 and 2009

b) Warrants

During the current year, the Company issued an aggregate of 3,826,250 share purchase warrants, all of which remain unexercised at year end, as follows:

- On November 24, 2009 the Company issued 3,500,000 warrants to investors in a 7,000,000 unit private placement financing at \$0.20 per unit, where each unit comprised one common share and one-half of one share purchase warrant. Each whole warrant is exercisable for a two year period to acquire an additional common share for \$0.30. The Company issued 217,500 units as finders' fees in this financing, inclusive of 108,750 share purchase warrants.
- The Company also issued an additional 217,500 finders' warrants in connection with the above private placement. The finders' warrants are each exercisable to acquire one additional common share at a price of \$0.30 for one year from November 24, 2009.

The aggregate fair value of all warrants issued to finders, as described above, was \$32,984, and this amount has been included within current share issuance costs.

A summary of the continuity of the Company's warrants outstanding is as follows:

	Year ended October 31, 2010		Year ended October 31, 2009	
	Number of Shares	weighted average exercise price	Number of shares	weighted average exercise price
Balance, beginning of year	13,000,000	\$ 0.20	4,739,831	\$ 0.53
Exercised	(12,025,000)	0.20	-	-
Expired	(975,000)	0.20	(4,739,831)	0.53
Granted	3,826,250	0.30	13,000,000	0.20
Balance, end of year	3,826,250	\$ 0.30	13,000,000	\$ 0.20
Weighted average fair value of agent warrants granted during 2009			\$ 0.14	
Weighted average fair value of agent warrants granted during 2010			\$ 0.10	
Weighted average remaining life of warrants outstanding, October 31, 2009			0.71 years	
Weighted average remaining life of warrants outstanding, October 31, 2010			1.01 years	



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c) 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.

A summary of the Company's options outstanding as at October 31, 2010 is as follows:

	Year ended October 31, 2010		Year ended October 31, 2009	
	Number of Shares	weighted average exercise price	Number of shares	weighted average exercise price
Balance, beginning of year	5,265,000	\$ 0.28	1,815,000	\$ 0.44
Exercised	(56,250)	0.13	-	-
Cancelled	(18,750)	0.13	-	-
Granted	-	-	3,450,000	0.20
Balance, end of year	5,190,000	\$ 0.28	5,265,000	\$ 0.28
Weighted average fair value of options granted during 2009			\$ 0.13	
Weighted average remaining life of options outstanding, October 31, 2009			3.75 years	
Weighted average remaining life of options outstanding, October 31, 2010			2.31 years	

The fair value of options reported as compensation expense in the current year has been estimated using the Black-Scholes Pricing Model using the following range of assumptions:

	2010	2009
Risk-free interest rate	1.84% - 2.78%	1.72% - 1.90%
Expected life of options in days	1,461 - 1,734	1,461 - 1,825
Annualized volatility	107% - 114%	101% - 108%
Dividend rate	0.00	0.00

The fair value computed using the Black-Scholes model is only an estimate of the potential value of the individual options and the Company is not required to make payments for such transactions.

The Company recorded \$52,170 of stock compensation expense in connection with stock options vested during the year ended October 31, 2010 (2009-\$398,724).



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**5. Related Party Transactions**

The following represents the details of related party transactions paid or accrued during the year ended October 31, 2010:

as at October 31,	2010	2009
Management and technical fees paid or accrued to companies owned by directors	\$ 30,172	46,828
Consulting fees paid to officers	129,775	240,275
Accounting and administration fees paid or accrued to a company 50% owned by an officer of the Company	60,000	60,000
	<b>\$ 219,947</b>	<b>347,103</b>

At October 31, 2010, the unpaid portion of the above amounts aggregated \$6,440 (2009 - \$4,272).

Refer also to note 12(b).

**6. Management of Capital**

The Company manages its cash, common shares, stock options and warrants (note 4) as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

**7. Equipment**

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Vehicles	\$ 38,500	\$ 2,888	35,612	\$ -	\$ -	\$ -
Office equipment	4,012	2,478	1,534	4,012	2,094	1,918
Computers	8,358	1,120	7,238	3,974	133	3,841
	<b>\$ 50,870</b>	<b>\$ 6,486</b>	<b>\$ 44,384</b>	<b>\$ 7,986</b>	<b>\$ 2,227</b>	<b>\$ 5,759</b>





## **8. Financial Instruments**

All financial instruments are recorded initially at estimated fair value on the balance sheet and classified into one of five categories: held for trading, held to maturity, available for sale, loans and receivables and other liabilities. All of the Company's financial instruments are considered to be cash and cash equivalents, loans and receivables or other liabilities, and therefore none require separate valuation involving the determination of items of other comprehensive income.

### *Financial Risk Management*

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and amounts due to related parties.

The fair values of cash, amounts receivable, accounts payable and accrued liabilities, and amounts due to related parties approximate their book values because of the short-term nature of these instruments.

### *Financial Instrument Risk Exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

### *Credit Risk*

The Company's only exposure to credit risk is on its cash and cash equivalents. Cash and cash equivalents are with a Canadian Schedule 1 bank and a US bank for its subsidiary. The Company has no asset-backed commercial paper.

### *Liquidity Risk*

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand.

### *Market Risk*

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's bank accounts earn interest income at variable rates, which are nominal. The Company's future interest income is exposed to short-term rates and fluctuations.

### *Exchange Risk*

As at October 31, 2010, the majority of the Company's cash was held in Canada in Canadian dollars. The Company's significant operations are carried out in Alaska, USA and Ontario, Canada. As a result a portion of the Company's cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are denominated in United States dollars and are therefore subject to fluctuations in exchange rates.



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The carrying value of financial assets and liabilities at October 31, 2010 and 2009 are as follows:

<i>As at</i>	<b>October 31 2010</b>	October 31 2009
<b>Financial Assets</b>		
<i>Held-for-trading, measured at fair value</i>		
Cash and cash equivalents	\$ 193,082	\$ 372,729
<b>Financial Liabilities</b>		
<i>Other liabilities, measured at amortized cost</i>		
Accounts payable, accrued liabilities and due to related parties	119,729	219,358

The fair value hierarchy of financial instruments measured at fair value on the balance sheet is as follows:

<i>As at</i>	<b>October 31 2010</b>	October 31 2009
	Level 1	Level 1
Cash and cash equivalents	\$ 193,082	\$ 372,729

The Company does not use Level 2 or Level 3 valuation inputs for valuing cash and cash equivalents.

## 9. Segmented Information

The Company has one operating segment, which is mineral exploration. The Company's assets by geographical location are as follows:

	October 31 2010
Canada	\$ 1,969,011
United States	10,953,602
<b>Total</b>	<b>\$ 12,922,613</b>

## 10. Income Taxes

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

	<b>2010</b>	<b>2009</b>
Net loss for the year	\$ (722,834)	\$ (817,037)
Expected income tax (recovery)	(206,008)	(245,111)
Net adjustment for amortization and other non-deductible amounts	(27,602)	48,373
Unrecognized benefit of FIT assets	233,610	196,738
Asset recognized to offset FIT liability	-	(90,000)
<b>Total income tax recovery</b>	<b>\$ -</b>	<b>\$ (90,000)</b>



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

	2010	2009
Future income tax assets (liabilities):		
Net mineral property carrying amounts in excess of tax pools	\$ (230,953)	\$ (245,178)
Equipment	1,622	570
Share issue costs	40,392	79,943
Non-capital loss carryforwards	731,220	577,039
	542,281	412,374
Valuation allowance	(542,281)	(412,374)
Net future tax assets	\$ -	\$ -

The Company has Canadian non-capital losses of approximately \$2,673,000 (2009 - \$1,853,000), which will be available to reduce future taxable income in Canada and which will expire in 2030.

The Canadian non-capital losses, if not utilized, will expire in the years presented below:

2016	156,000
2027	447,000
2028	594,000
2029	656,000
2030	820,000
	<u>2,673,000</u>

## 11. Commitments

The Company has two lease agreements for the rental of office space. The leases expire on December 31, 2010 and May 31, 2011. The 2011 minimum lease obligation for both leases is an aggregate amount of \$12,660.

The Company subleases one of its leased offices under an agreement which has an amount of \$1,572 of rent remaining until that lease expires in December 2010. The Company currently rents a portion of its office space on a month-to-month basis for \$1,000 per month.

Subsequent to the year-end, the Company entered into an agreement for a five year lease on additional office premises, which starts on June 1, 2011 and expires on May 31, 2016. The future minimum lease obligations under the new lease are as follows:

	Amount
2011 fiscal year	\$ 16,525
2012 fiscal year	25,449
2013 fiscal year	42,469
2014 fiscal year	44,452
2015 fiscal year	46,435
2016 fiscal year	27,762
	<u>\$ 203,092</u>



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**12. Subsequent Events**

(a) Yukon Land Position and Joint Venture

Effective September 20, 2010, the Company entered into a Joint Venture Agreement with Carlin Gold Corporation ("Carlin"). Subsequent to the year ended October 31, 2010, the Company and Carlin staked an aggregate of 1,959 mineral claims in the Yukon Territory as part of the 50/50 joint venture. The Company's share of staking and other joint venture costs to February 8, 2011 was \$317,268.

(b) Bridge Loan from Related Party

In November 2010, the Company arranged a \$135,000 bridge loan financing from a director of the Company. The funds were borrowed at the current Bank of Canada prime rate on an unsecured basis, and were repaid on December 14, 2010. The funds were used for acquisition and exploration work on the Company's new mineral property in Yukon and for general corporate purposes.

(c) Option Agreement on Trapper Gold Project

In November, 2010 the Company entered into an option agreement with Ocean Park Ventures Corp. ("Ocean Park"). Pursuant to the terms of the option agreement, Ocean Park paid \$100,000 and issued 100,000 common shares to Constantine upon receipt of applicable regulatory approvals. In order to maintain the option and earn a 50% interest in the property, Ocean Park must make cumulative exploration expenditures on the property totaling \$4,750,000 as follows: \$750,000 by December 15, 2011, \$1,250,000 by second anniversary, \$2,250,000 by the third anniversary and \$4,750,000 by December 15, 2014. In addition, Ocean Park must issue an additional 900,000 common shares to Constantine as follows: 200,000 shares by the second anniversary, 300,000 shares by third anniversary and 400,000 shares by December 15, 2014.

After completing \$4,750,000 in exploration expenditures and issuing the share consideration to the Company to earn the 50% interest, Ocean Park may elect to extend the option and earn an additional 20% interest, for a total interest of 70%. To earn the additional 20% interest, Ocean Park must issue an additional 500,000 common shares by December 15, 2015 and incur an additional \$5,000,000 in exploration expenditures on the property within three years, with a minimum annual expenditure of \$1,000,000.

In the event that the Ocean Park exercises the option, Ocean Park and the Company will enter into a joint venture to further develop the property, with each party contributing to their pro rata portion of the approved exploration program. If, at any time, a party's interest in the joint venture is reduced to below 10%, it shall be deemed to have conveyed its remaining interest proportionately to the other party in consideration of the right to receive a 2% NSR on gold below US\$1,000/oz, and 3% if above. One-half of the NSR can be repurchased by the other party for \$2,500,000, and that party would also retain a right of first refusal over the remaining portion of the NSR.

(d) Private Placement Financing Completed

On December 13, 2010, the Company completed a \$3,500,000 brokered private placement. The financing consisted of the sale 15,333,334 hard dollar units ("Hard Dollar Units") and 6,857,143 flow-through units ("Flow-Through Units") for aggregate gross proceeds of \$3,500,000.

Each Hard Dollar Unit was priced at \$0.15 and consisted of one non-flow-through common share and one half of one non-flow-through share purchase warrant. Each full warrant entitles the holder



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to purchase one additional non-flow-through common share of the Company at a price of \$0.20 per share for a period of 24 months from the date of closing. Each Flow-Through Unit was priced at \$0.175 and consisted of one flow-through common share and one half of one non-flow-through share purchase warrant. Each full warrant entitles the holder to purchase one additional non-flow-through common share of the Company at a price of \$0.20 per share for a period of 24 months from the date of closing.

The Company paid the Agent an aggregate cash commission of \$235,624 and 1,494,078 non-transferrable broker warrants. Each broker warrant is exercisable into one common share for a period of 24 months from the date of closing at an exercise price of \$0.20.

(e) Hornet Creek Property

In January 2011, the Company entered into a 99 year lease agreement on a precious metals prospect in Adams County, Idaho, USA. The property consists of 44 federal lode claims totaling approximately 909 acres.

In order to acquire a 100% leasehold right to the 44 claims that comprise the property, the Company must make cash payments totaling US\$130,000 (US\$10,000 paid) and issue 100,000 shares of the Company over a four year period. Under the terms of the agreement, the Company has the right to pay half of the remaining cash payments in common shares of the Company, at its election. The vendor will retain a 2% NSR, half of which can be purchased by the Company at any time for US\$1,000,000, with a right of first refusal on the remaining 1% NSR.

During the term of the agreement, the Company will be responsible for annual land holding costs, currently estimated at \$6,600 per year.

Under the terms of the agreement, the Company must make a one-time \$500,000 cash payment upon a making commercial production decision.

The acquisition is subject to regulatory approval.

f) Aztec Property

In January 2011, the Carlin-Constantine Joint Venture ("CCJV") (note 12a) entered into an option agreement to acquire a 100% interest in the Aztec property in Yukon, consisting of 226 claims located in the Mayo Mining District.

In order to acquire a 100% interest in the property, CCJV must make cash payments totaling \$450,000 (\$25,000 payable on signing) and issue 180,000 common shares of the Company and 270,000 common shares of Carlin over a period of five years. Annual advance royalty payments to the vendor of \$35,000 will commence January 20, 2017. The vendor will retain a 2.5% NSR royalty, 20% of which, (representing a 0.5% NSR) can be purchased by CCJV at any time for \$1,000,000, with a right of first refusal on the remaining 2% NSR royalty. CCJV will commit to a minimum exploration expenditure of \$45,000 on the property within the first year of the agreement. The acquisition is subject to regulatory approval.



## CORPORATE DIRECTORY

### DIRECTORS

**J. Garfield MacVeigh**  
**K. Wayne Livingstone \***  
**Brian C. Irwin \***  
**David W. Adamson \***  
**Tara M. Christie**

\* Audit Committee Members

### OFFICERS

**J. Garfield MacVeigh**, President and Chief Executive Officer  
**Aris Morfopoulos**, Chief Financial Officer and Secretary  
**Darwin Green**, V.P. Exploration

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