



Consolidated Financial Statements of

**CONSTANTINE METAL RESOURCES LTD.**

For the 3 months ended January 31, 2011 and 2010



**NOTICE**

**NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

See accompanying notes to financial statements.



Consolidated Balance Sheets  
Interim Unaudited – Prepared by Management  
As at January 31, 2011 and 2010

|                                                    | January 31<br>2011   | October 31<br>2010   |
|----------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                      |                      |                      |
| Current assets:                                    |                      |                      |
| Cash and cash equivalents                          | \$ 2,745,228         | \$ 193,082           |
| Accounts receivable                                | 106,171              | 78,424               |
| Prepaid expenses                                   | 69,551               | 28,422               |
| Marketable securities (note 3)                     | 73,000               | -                    |
|                                                    | <b>2,993,950</b>     | <b>299,928</b>       |
| Mineral properties (Schedule, note 4)              | <b>12,920,218</b>    | <b>12,578,301</b>    |
| Fixed assets                                       | <b>41,274</b>        | <b>44,384</b>        |
|                                                    | <b>\$ 15,955,442</b> | <b>\$ 12,922,613</b> |
| <b>Liabilities</b>                                 |                      |                      |
| Current liabilities:                               |                      |                      |
| Accounts payable and accrued liabilities (note 4f) | \$ 79,058            | \$ 113,289           |
| Due to related parties (note 6)                    | 3,360                | 6,440                |
|                                                    | <b>82,418</b>        | <b>119,729</b>       |
| <b>Shareholders' equity</b>                        |                      |                      |
| Share capital (note 5)                             | 17,413,564           | 14,422,352           |
| Contributed surplus (note 5a)                      | 1,429,296            | 1,263,278            |
| Accumulated other comprehensive income (note 3)    | 14,000               | -                    |
| Deficit                                            | (2,983,836)          | (2,882,746)          |
|                                                    | <b>15,873,024</b>    | <b>12,802,884</b>    |
|                                                    | <b>\$ 15,955,442</b> | <b>\$ 12,922,613</b> |

Nature of Operations (note 1)  
Subsequent Events (note 10)



Consolidated Statements of Operations, Comprehensive Loss and Deficit  
Interim Unaudited – Prepared by Management  
For the 3 months ended January 31, 2011 and 2010

|                                                                         | January 31<br>2011    | January 31<br>2010    |
|-------------------------------------------------------------------------|-----------------------|-----------------------|
| Expenses:                                                               |                       |                       |
| Amortization                                                            | \$ 3,110              | \$ 216                |
| Consulting                                                              | 26,910                | 34,900                |
| Foreign exchange (gain)                                                 | 111                   | (4,548)               |
| General and administrative                                              | 75,806                | 92,452                |
| Insurance                                                               | 6,240                 | 7,488                 |
| Investor relations                                                      | 13,715                | 17,534                |
| Legal                                                                   | -                     | 933                   |
| Management fees                                                         | 3,000                 | 3,000                 |
| Professional fees – audit                                               | 3,000                 | 3,000                 |
| Payroll expenses                                                        | 66,194                | 33,796                |
| Rent                                                                    | 5,822                 | 4,670                 |
| Shareholder communications                                              | 1,950                 | 5,581                 |
| Stock based compensation                                                | -                     | 17,100                |
| Travel                                                                  | 7,096                 | 6,717                 |
|                                                                         | <b>(212,954)</b>      | <b>(222,839)</b>      |
| Gain on mineral property (note 4e)                                      | 111,585               | -                     |
| Interest income                                                         | 279                   | -                     |
| <b>Net loss for the period</b>                                          | <b>\$ (101,090)</b>   | <b>\$ (222,839)</b>   |
| Deficit, beginning of period                                            | <b>(2,882,746)</b>    | <b>(2,159,912)</b>    |
| Deficit, end of period                                                  | <b>\$ (2,983,836)</b> | <b>\$ (2,382,751)</b> |
| <b>Other comprehensive income</b>                                       |                       |                       |
| Unrealized gain on available-for-sale<br>marketable securities (note 3) | 14,000                | -                     |
| <b>Total comprehensive income (loss) for the<br/>period</b>             | <b>\$ (87,090)</b>    | <b>\$ (222,839)</b>   |
| Basic and diluted loss per share                                        | \$ (0.01)             | \$ (0.01)             |
| Weighted average number of common<br>shares outstanding                 | 91,934,363            | 68,534,802            |

See accompanying notes to financial statements.



Consolidated Statements of Cash Flows  
Interim Unaudited – Prepared by Management  
For the 3 months ended January 31, 2011 and 2010

|                                                        | January 31<br>2011 | January 31<br>2010 |
|--------------------------------------------------------|--------------------|--------------------|
| Cash and cash equivalents provided by (used in):       |                    |                    |
| Operations:                                            |                    |                    |
| Loss for the period                                    | \$ (101,090)       | \$ (222,839)       |
| Amortization                                           | 3,110              | 215                |
| Non-cash gain on sale of mineral property<br>(note 4f) | (11,584)           | -                  |
| Stock-based compensation                               | -                  | 17,100             |
| Changes in non-cash working capital accounts:          |                    |                    |
| Accounts receivable                                    | (27,747)           | (14,799)           |
| Accounts payable                                       | (34,231)           | (171,801)          |
| Due to related parties (note 6)                        | (3,080)            | (4,272)            |
| Prepaid expenses                                       | (41,129)           | 6,920              |
|                                                        | <b>(215,751)</b>   | <b>(389,476)</b>   |
| Investing activities:                                  |                    |                    |
| Mineral property expenditures (Schedule, note 3)       | (389,333)          | (59,258)           |
| Financing activities:                                  |                    |                    |
| Private placement proceeds (note 5a)                   | 3,500,000          | 1,400,000          |
| Less: share issuance costs paid in cash                | (342,770)          | (11,867)           |
| Stock options exercised                                | -                  | 7,313              |
| Warrants exercised                                     | -                  | 2,405,000          |
|                                                        | <b>3,157,230</b>   | <b>3,800,446</b>   |
| Net decrease in cash                                   | \$ 2,552,146       | \$ 3,351,712       |
| Cash and cash equivalents, beginning of period         | 193,082            | 372,729            |
| Cash and cash equivalents, end of period               | \$ 2,745,228       | \$ 3,724,441       |

Supplemental disclosure of non-cash financing and investing activities:

|                                                |            |           |
|------------------------------------------------|------------|-----------|
| Interest paid                                  | \$ 303     | \$ -      |
| Warrants issued to agents and finders          | \$ 166,018 | \$ 32,984 |
| Accounts payable related to mineral properties | \$ 48,312  | \$ 11,483 |



Schedule of Deferred Mineral Property Costs  
Interim Unaudited – Prepared by Management  
For the 3 months ended January 31, 2011

|                                                      | Balance,<br>October 31<br>2009 | Fiscal<br>Expenditures<br>2010 | Balance,<br>October 31<br>2010 | Fiscal<br>Expenditures<br>2011 | Balance<br>January 31<br>2011 |
|------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|
| <b>Palmer Property, Alaska, USA (note 4a)</b>        |                                |                                |                                |                                |                               |
| Acquisition costs                                    | \$ 878,712                     | \$ -                           | \$ 878,712                     | -                              | 878,712                       |
| Advance royalty payments                             | 163,403                        | 44,536                         | 207,939                        | 10,816                         | 218,755                       |
| Alaska labour                                        | 167,724                        | 264,150                        | 431,874                        | 2,066                          | 433,940                       |
| Prop. acquisition & maint. cost                      | 9,598                          | 9,116                          | 18,714                         | -                              | 18,714                        |
| Assaying and testing                                 | 142,624                        | 43,097                         | 185,721                        | 1,354                          | 187,075                       |
| Field transportation                                 | 1,847,144                      | 670,529                        | 2,517,673                      | (2,399)                        | 2,515,274                     |
| Geophysics                                           | 126,772                        | 207,844                        | 334,616                        | 1,030                          | 335,646                       |
| Drilling                                             | 2,654,488                      | 1,017,840                      | 3,672,328                      | -                              | 3,672,328                     |
| Property filing and maintenance fees                 | 195,412                        | 52,058                         | 247,470                        | (13)                           | 247,457                       |
| Geology and field support                            | 1,203,291                      | 296,816                        | 1,500,107                      | 3,290                          | 1,503,397                     |
| Technical consulting                                 | 575,640                        | 230,588                        | 806,228                        | 9,416                          | 815,644                       |
| Travel                                               | 89,055                         | 51,019                         | 140,074                        | 1,624                          | 141,698                       |
|                                                      | <u>8,053,863</u>               | <u>2,887,593</u>               | <u>10,941,456</u>              | <u>27,184</u>                  | <u>10,968,640</u>             |
| <b>Munro-Croesus Property, ON, Canada (note 4b)</b>  |                                |                                |                                |                                |                               |
| Acquisition costs                                    | 433,775                        | 3,066                          | 436,841                        | 1                              | 436,842                       |
| Assaying and testing                                 | 21,898                         | 4,651                          | 26,549                         | 7,252                          | 33,801                        |
| Drilling                                             | 424,201                        | -                              | 424,201                        | -                              | 424,201                       |
| Field transportation                                 | 7,739                          | 1,569                          | 9,308                          | 1,203                          | 10,511                        |
| Geophysics                                           | 95,129                         | -                              | 95,129                         | -                              | 95,129                        |
| Travel                                               | 23,673                         | 3,299                          | 26,972                         | 2,084                          | 29,056                        |
| Geology and field support                            | 103,468                        | 2,608                          | 106,076                        | 1,137                          | 107,213                       |
| Technical consulting                                 | 144,710                        | 39,869                         | 184,579                        | 2,625                          | 187,204                       |
|                                                      | <u>1,254,593</u>               | <u>55,062</u>                  | <u>1,309,655</u>               | <u>14,302</u>                  | <u>1,323,957</u>              |
| <b>Four Corners Property, ON, Canada (note 4c)</b>   |                                |                                |                                |                                |                               |
| Acquisition costs                                    | 43,181                         | 25,250                         | 68,431                         | -                              | 68,431                        |
| Drilling                                             | 34,235                         | -                              | 34,235                         | -                              | 34,235                        |
| Geophysics                                           | 46,030                         | -                              | 46,030                         | -                              | 46,030                        |
| Field Transportation                                 | 130                            | -                              | 130                            | 71                             | 201                           |
| Travel                                               | 252                            | -                              | 252                            | -                              | 252                           |
| Technical consulting                                 | 7,907                          | 16,837                         | 24,744                         | -                              | 24,744                        |
| Geology and field support                            | 350                            | 12,017                         | 12,367                         | 14,016                         | 26,383                        |
|                                                      | <u>132,085</u>                 | <u>54,104</u>                  | <u>186,189</u>                 | <u>14,087</u>                  | <u>200,276</u>                |
| <b>Phoenix Gold Property, ON, Canada (note 4d)</b>   |                                |                                |                                |                                |                               |
| Acquisition costs                                    | -                              | 80,975                         | 80,975                         | -                              | 80,975                        |
|                                                      | <u>-</u>                       | <u>80,975</u>                  | <u>80,975</u>                  | <u>-</u>                       | <u>80,975</u>                 |
| <b>Trapper Gold Property, B.C., Canada (note 4e)</b> |                                |                                |                                |                                |                               |
| Cost recovery                                        | -                              | -                              | -                              | (47,416)                       | (47,416)                      |
| Acquisition costs                                    | -                              | 16,981                         | 16,981                         | -                              | 16,981                        |
| Assaying and testing                                 | -                              | 3,809                          | 3,809                          | (585)                          | 3,224                         |
| Field transportation                                 | -                              | 3,439                          | 3,439                          | -                              | 3,439                         |
| Geology and field support                            | -                              | 11,439                         | 11,439                         | 745                            | 12,184                        |
| Technical consulting                                 | -                              | 5,750                          | 5,750                          | 1,125                          | 6,875                         |
| Travel                                               | -                              | 4,712                          | 4,712                          | -                              | 4,712                         |
|                                                      | <u>-</u>                       | <u>46,130</u>                  | <u>46,130</u>                  | <u>(46,131)</u>                | <u>(1)</u>                    |
| <b>Yukon (note 4f)</b>                               |                                |                                |                                |                                |                               |
| Acquisition                                          | -                              | -                              | -                              | 320,421                        | 320,421                       |
| Technical Consulting                                 | -                              | -                              | 1,750                          | -                              | 1,750                         |
|                                                      | <u>-</u>                       | <u>-</u>                       | <u>1,750</u>                   | <u>320,421</u>                 | <u>322,171</u>                |
| <b>Hornet Creek (note 4g)</b>                        |                                |                                |                                |                                |                               |
| Assay and testing                                    | -                              | -                              | 285                            | 753                            | 1,038                         |
| Technical consulting                                 | -                              | -                              | 500                            | 1,362                          | 1,862                         |
| Acquisition costs                                    | -                              | -                              | 11,361                         | 9,938                          | 21,299                        |
|                                                      | <u>-</u>                       | <u>-</u>                       | <u>12,146</u>                  | <u>12,053</u>                  | <u>24,199</u>                 |
| <b>Total Mineral Property Costs</b>                  | <u>10,319,253</u>              | <u>3,123,865</u>               | <u>12,578,301</u>              | <u>341,916</u>                 | <u>12,920,218</u>             |

See accompanying notes to financial statements.



Notes to Consolidated Financial Statements  
Interim Unaudited – Prepared by Management  
For the 3 months ended January 31, 2011 and 2010

**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 January 31, 2011, the Company has incurred losses since inception and has an accumulated operating deficit of \$2,983,836. The long-term viability of the Company 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, which will be the quarterly period beginning November 1, 2011, will contain IFRS-compliant



Notes to Consolidated Financial Statements  
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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.

**3. Marketable Securities**

In December 2010, the Company received 100,000 shares of Ocean Park Ventures Corp. ("Ocean Park") as part of an option agreement payment in regard to the Company's Trapper Property in northern British Columbia (note 4f). The deemed value of the shares received was recorded at \$59,000. At January 31, 2011 the Ocean Park shares had a value of \$73,000, which difference resulted in accumulated other comprehensive income of \$14,000.

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

a) Palmer Property, Alaska, USA

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 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 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.

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.



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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 (note 4(a) (iii)).

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 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%.

In November, 2010 the Company entered into an option agreement with Ocean Park. Pursuant to the terms of the option agreement, Ocean Park paid \$100,000 and issued 100,000 common shares of its common stock to Constantine (note 3). 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.

At January 31, 2011, the Company recorded a gain for accounting purposes of \$111,585 on the cash and shares of Ocean Park received during the current period, of which \$11,584 was a non-cash gain for accounting purposes.



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f) Yukon Land Position and Joint Venture

Effective September 20, 2010, the Company entered into a joint venture agreement with Carlin Gold Corporation (“Carlin”). The Company and Carlin staked an aggregate of 1,959 mineral claims in Yukon as part of the 50/50 joint venture. The Company’s share of staking and other joint venture costs to January 31, 2011 was \$322,171. At January 31, 2011 the Company had an amount of \$48,312 payable to Carlin, for its share of joint venture costs.

*Acquisition by Joint Venture: Aztec Property, Yukon*

In January 2011, the Company and Carlin (jointly, the “CCJV”) entered into an option agreement to acquire a 100% interest in the Aztec property in Yukon, consisting of 226 claims 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. Subsequent to January 31, 2011, the Company paid \$12,500 and issued 10,000 shares in connection with this agreement.

g) Hornet Creek Property, Idaho, U.S.A.

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 US\$120,000 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.



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**5. Share Capital**

a) Details of share capital:

|                                                        | Shares      | Amount        | Contributed Surplus |
|--------------------------------------------------------|-------------|---------------|---------------------|
| Authorized:                                            |             |               |                     |
| Unlimited common shares without par value              |             |               |                     |
| Issued:                                                |             |               |                     |
| 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 (note 4c)           | 25,000      | 5,250         | -                   |
| Stock option compensation                              | -           | -             | 52,170              |
| Balance – October 31, 2010                             | 80,115,522  | \$ 14,422,352 | \$ 1,263,278        |
| Private placement, at \$0.15 per share                 | 15,333,334  | 2,300,000     | -                   |
| Private placement (flow-through), at \$0.175 per share | 6,857,143   | 1,200,000     | -                   |
| Less: private placement issue costs                    | -           | (508,788)     | 166,018             |
| Balance – January 31, 2011                             | 102,305,999 | \$ 17,413,564 | \$ 1,429,296        |

b) Warrants

As at January 31, 2011, the following share purchase warrants and finders' compensation warrants were outstanding:

|                       | Number     | Price per Share | Expiry Date   |
|-----------------------|------------|-----------------|---------------|
| Warrants              | 3,500,000  | \$0.30          | Nov. 24, 2011 |
| Warrants              | 11,095,238 | \$0.20          | Dec. 13, 2012 |
| Agent's Warrants      | 1,494,078  | \$0.20          | Dec. 13, 2012 |
| Compensation warrants | 108,750    | \$0.30          | Nov. 24, 2011 |

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 the plan is 10% of the Company's issued capital.



Notes to Consolidated Financial Statements  
Interim Unaudited – Prepared by Management  
For the 3 months ended January 31, 2011 and 2010

A summary of the Company's options outstanding as at January 31, 2011 is as follows:

|                                                                      | Three months ended<br>31-Jan-11 |                                       | Year ended<br>31-Oct-10 |                                       |
|----------------------------------------------------------------------|---------------------------------|---------------------------------------|-------------------------|---------------------------------------|
|                                                                      | Number of<br>Shares             | weighted<br>average<br>exercise price | Number of<br>shares     | weighted<br>average<br>exercise price |
| Balance, beginning of year                                           | 5,190,000                       | \$0.28                                | 5,265,000               | \$0.28                                |
| Exercised                                                            | -                               | -                                     | (56,250.00)             | 0.13                                  |
| Cancelled                                                            | -                               | -                                     | (18,750.00)             | 0.13                                  |
| Balance, end of period/year                                          | 5,190,000                       | \$0.28                                | 5,190,000               | \$0.28                                |
| Weighted average remaining life of options outstanding,<br>31-Oct-10 |                                 |                                       | 2.3 years               |                                       |
| Weighted average remaining life of options outstanding,<br>31-Jan-11 |                                 |                                       | 3.1 years               |                                       |

## 6. Related Party Transactions

The following represents the details of related party transactions paid or accrued during the year ended January 31, 2011:

| <i>as at January 31,</i>                                                                                  | <i>2011</i> | <i>2010</i> |
|-----------------------------------------------------------------------------------------------------------|-------------|-------------|
| Management and technical fees paid or accrued to<br>companies owned by directors                          | \$ 42,113   | 12,049      |
| Consulting fees paid to officers                                                                          | -           | 28,650      |
| Accounting and administration fees paid or accrued<br>to a company 50% owned by an officer of the Company | 18,000      | 15,000      |
|                                                                                                           | \$ 60,113   | 55,699      |

At January 31, 2011, the unpaid portion of the above amounts aggregated \$3,360 (2010 - \$4,272).

## 7. Management of Capital

The Company manages its cash, common shares, stock options and warrants (note 5) 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.



Notes to Consolidated Financial Statements  
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## **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 account earns interest income at variable rates. The fair value of its marketable securities portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates and fluctuations.

### *Exchange Risk*

As at January 31, 2011, 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.



Notes to Consolidated Financial Statements  
Interim Unaudited – Prepared by Management  
For the 3 months ended January 31, 2011 and 2010

The carrying value of financial assets and liabilities at January 31, 2011 and 2010 are as follows:

| <i>As at January 31,</i>                                         | <i>2011</i>         | <i>2010</i>  |
|------------------------------------------------------------------|---------------------|--------------|
| <b>Financial Assets</b>                                          |                     |              |
| <i>Held-for-trading, measured at fair value</i>                  |                     |              |
| Cash and cash equivalents                                        | <b>\$ 2,745,228</b> | \$ 3,800,500 |
| <b>Financial Liabilities</b>                                     |                     |              |
| <i>Other liabilities, measured at amortized cost</i>             |                     |              |
| Accounts payable, accrued liabilities and due to related parties | <b>\$ 82,418</b>    | \$ 43,284    |

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

| <i>As at January 31,</i>  | <i>2011</i>         | <i>2010</i>  |
|---------------------------|---------------------|--------------|
|                           | <b>Level 1</b>      | Level 1      |
| Cash and cash equivalents | <b>\$ 2,745,228</b> | \$ 3,800,500 |

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:

| <i>as at January 31,</i> | <i>2011</i> |            |
|--------------------------|-------------|------------|
| Canada                   | \$          | 4,939,372  |
| United States            |             | 11,016,070 |
| Total                    | \$          | 15,955,442 |

## 10. Subsequent Events

### (a) New Investor Relations Agreement

In February 2011, the Company entered into a six month investor relations agreement with San Diego Torrey Hills Capital, Inc., Under the terms of the agreement, the Company will pay Torrey Hills US\$6,500 per month, and grant 250,000 stock options exercisable at \$0.27 per share. The agreement is subject to regulatory approval.

### (b) \$2,250,000 Flow-through Private Placement Completed

In March 2011, the Company completed a brokered flow-through private placement of 7,500,000 shares issued at \$0.30 per share. The Company paid \$135,000 in agent's commissions and issued 450,000 compensation warrants to the agent in connection with the transaction. The compensation warrants are exercisable at a price of \$0.30 per warrant for a period of 2 years from the date of closing.



## **Management Discussion and Analysis For the quarter ended January 31, 2011**

### **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 unaudited consolidated financial statements of the Company, including the notes thereto, for the three months ended January 31, 2011 and 2010, which are prepared in accordance with Canadian generally accepted accounting principles for interim financial statements, and the annual audited financial statements and MD&A for the year ended October 31, 2010. This MD&A has taken into account information available up to and including March 28, 2011.

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. In January 2011, 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.

### **Highlights**

1. The Company's Trapper Gold property, located in the Atlin Mining Division in northern British Columbia, was optioned to Ocean Park Ventures Corp. ("Ocean Park") in December 2010. The Company received an initial payment of 100,000 shares of Ocean Park and \$100,000 upon signing, and the option agreement requires Ocean Park to spend \$9.75 million to earn a 70% interest in the project.
2. In 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 was created to target, explore and develop mining claims in Yukon, and combines Carlin Gold's extensive experience exploring for Carlin-type gold deposits in Nevada with Constantine's expertise and familiarity exploring the North. The Joint Venture acquired an additional interest in 226 claims through the Aztec option



agreement dated January 27, 2011 and has also acquired several additional properties by staking subsequent to the end of the quarter, which bring the total to 2,453 claims. The staking includes the strategically located 152 claim HG property (7,600 acres, 31 square kilometers) which borders Atac Resources Ltd.'s Rau Property, where Carlin-type gold mineralization has recently been discovered.

3. In December 2010 the Company 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).
4. 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.
5. In March 2011, the Company raised \$2,250,000 through a brokered flow-through financing, to fund exploration activities on the Company's Canadian resource properties, which include the high-grade Munro-Croesus gold project in Ontario and the Company's large property position in Yukon's emerging new Carlin-type gold district.
6. A minimum 3,000 meter drill program on the Company's Munro-Croesus property was started in early March, 2011.

## **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 the deep sea port at Haines, Alaska.

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.

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.

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 (United States Geological Survey Professional Paper 1439). 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.

The Company plans to compile all available historical information on the property in early 2011. 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. Constantine's gold properties are important assets of the Company that provide exposure to high quality gold exploration targets and are a significant part of the current year's exploration activities. The Company also has a 50% interest in over 2,400 mineral claims in Yukon, in a joint venture with Carlin Gold Corporation, which is focused on exploration for Carlin-style gold mineralization.

### *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. Flow through funds raised in December 2010 financing and in the recent February 2011 financing will be used for an aggressive drill program to test Munro Croesus project drill targets. A minimum 3000 meter drill program was started on March 8, 2011.

#### *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.

The immediate focus of the current 3000 meter drill program is to test the Croesus mine at depths up to 300 meters below the old workings and for faulted extensions of the Croesus high grade vein. A close spaced, 10 to 20 meter pattern of drill holes is testing for bonanza grade chutes within the vein structures identified in the 2008 and 2009 drill programs. Some of the high grade chutes of the original mined vein material exceeded 20 to 30 percent by weight gold and 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 and any targets that are indicated by the downhole geophysics will be tested with additional drilling.

#### *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 to acquire a 100% interest in the 63 claim Four Corners property



located 1.2 kilometers east of the Munro Croesus property, which forms part of the Munro Croesus gold project. The Four Corners property straddles an 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. The new gold zones occur within previously un-sampled sections 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 2011 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 Ocean Park Ventures Corp. (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 with a requirement to include diamond drilling.

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

A Joint Venture ("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 JV 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. Claim staking is 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.

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 described 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 and mercury minerals (realgar, orpiment and cinnabar)
- 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

On February 17, 2011 the JV announced a signed agreement to acquire a 100% interest in the 226 claim, 4,724 hectare, Aztec Property. The Aztec Property is located in the Mayo Mining District, approximately 50 kilometers south of Atac Resources Ltd.'s Osiris discovery. It covers an area of strongly anomalous gold and arsenic defined by regional government stream silt data.

The JV has also acquired several additional properties by staking. The staking includes the strategically located 208 claim HG property (10,625 acres, 43 square kilometers) which borders Atac Resources Ltd.'s Rau Property. The HG claims are located adjacent to a known cinnabar and native mercury occurrence, and cover drainages that contain gold and share similar tenor pathfinder element anomalies to those at the Rau Property Osiris discovery – including samples exceeding the 95th percentile for arsenic and mercury. The JV now controls a total of 2,453 claims and approximately 500 square kilometers (195 square miles) which represents one of the largest property positions in this new district located within the Selwyn Basin, east central Yukon. The JV plans to continue pursuing additional acquisitions within the district.

The Joint Venture is making plans for aggressive exploration of its newly acquired properties. The claims are underlain by Paleozoic rocks with carbonate bearing sections located in drainage basins containing anomalous gold, arsenic, mercury and antimony geochemistry in the Yukon regional stream sediment database. The Joint Venture is targeting Carlin-style gold mineralization distal to the Tombstone intrusive rocks as well as sediment hosted gold mineralization adjacent to these intrusions. The Companies believe that several of these areas will develop into drill targets fairly quickly based on prior work done and the strong regional geochemical signatures.

## **Results of Operations**

### *Mineral Property Acquisitions and Expenditures*

In the three months ended January 31, 2011 the Company incurred expenditures of \$341,916 on its mineral properties, net of \$46,130 in cost recoveries on the Trapper property. The majority of those expenditures (\$320,421) were incurred on the Yukon joint venture property in Yukon, where the Company has been actively engaged in a land staking program.

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. The Company spent \$12,053 at January 31, 2011, and subsequent to the period paid acquisition costs of \$25,000 to the property owners.

In November 2010, Constantine optioned the Trapper property to Ocean Park Ventures Corp. and received an initial option payment of \$100,000 and 100,000 shares from Ocean Park. As at January 31, 2011 the Company realized a gain for accounting purposes of \$111,585, of which \$11,585 was a non-cash gain.

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 \$320,421.



Subsequent to the end of the quarter, the Company paid \$12,500 and issued 10,000 shares in connection with its share of the joint venture's Aztec property acquisition in Yukon, which was signed at the end of January 2011.

### *Operating Costs*

Expenses of \$212,954 for the first quarter of 2011 remained level with the previous year (\$222,839). The biggest increase in 2011 expenses was in payroll costs, which increased from \$33,796 in 2010 to \$66,194 in 2011. Payroll expenses for 2011 were expected to be higher, as the Company added personnel to its payroll during the last quarter, who are projected to remain on payroll for the remainder of the year. For the quarter ended January 31, 2011, General and Administrative costs consisted of:

| <u>General and Administrative expenses</u> | <u>Amount</u>    |
|--------------------------------------------|------------------|
| Conferences, trade shows and advertising   | \$ 40,074        |
| Accounting and administration              | 18,000           |
| Office expenses                            | 10,415           |
| Transfer agent, listing and filing fees    | 2,208            |
| Other                                      | 5,109            |
| Total                                      | <u>\$ 75,806</u> |

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

| <b>For Quarter Ended</b> | <b>Income (Loss)</b> | <b>Income (Loss) per share</b> |
|--------------------------|----------------------|--------------------------------|
| January 31, 2011         | \$(101,090)          | \$(0.01)                       |
| October 31, 2010         | (132,554)            | (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)                         |

### **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 January 31, 2011 was \$2,745,228 (2010-\$3,724,441) and its working capital at January 31, 2011 was \$2,911,532 (2010-\$3,754,964). The Company completed a \$3,500,000 equity financing in December 2010 (\$2,300,000 in hard dollars and \$1,200,000 in flowthrough financing), and another \$2,250,000 flowthrough financing in March 2011. Its cash position as of the date of this report is approximately \$4,400,000.



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 three months ended January 31, 2011 as follows:

| <i>as at January 31,</i>                                                                               | <i>2011</i>      | <i>2010</i>   |
|--------------------------------------------------------------------------------------------------------|------------------|---------------|
| Management and technical fees paid or accrued to companies owned by directors                          | \$ 42,113        | 12,049        |
| Consulting fees paid to officers                                                                       | -                | 28,650        |
| Accounting and administration fees paid or accrued to a company 50% owned by an officer of the Company | 18,000           | 15,000        |
|                                                                                                        | <u>\$ 60,113</u> | <u>55,699</u> |

### **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 January 31, 2011</i>                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| December 2010 Flow-Through Financing:                                                                                                                                            |                                                                                                                                                                                  |
| <ul style="list-style-type: none"> <li>\$1,200,000 to be used to incur eligible Canadian Exploration Expenses on the Company's Canadian gold projects.</li> </ul>                | <ul style="list-style-type: none"> <li>None of the funds have been committed to date.</li> </ul>                                                                                 |
| December 2010 Financing:                                                                                                                                                         |                                                                                                                                                                                  |
| <ul style="list-style-type: none"> <li>\$2.3 million to be used on exploration of the Palmer Project and for general and administrative and working capital purposes.</li> </ul> | <ul style="list-style-type: none"> <li>\$440,000 has been applied to cost of financing and general and administrative expenses. Balance of funds remains to be spent.</li> </ul> |

## Summary of Outstanding Share Data

At January 31, 2011, the Company had 102,305,999 shares outstanding.

The following warrants and stock options were outstanding at January 31, 2011:

|                                   |            | Price per Share | Expiry Date   |
|-----------------------------------|------------|-----------------|---------------|
| Warrants                          | 12,589,316 | \$0.20          | Dec. 13, 2012 |
| Warrants and Compensation Options | 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 |
|                                   | 21,388,066 |                 |               |

## 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 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, 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.

### **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 January 31, 2011, the Company had a cash balance of \$2,745,228 to settle current liabilities of \$82,418. 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).