



Lynn Canal Conservation

August 27, 2021

Jeff Kehoe
Director, Enforcement Branch
Ontario Securities Commission
22nd Floor, 20 Queen St. W.
PO Box 55
Toronto, ON M5H 3S8

Dear Director Kehoe,

We are submitting a complaint that the website, corporate presentations, press statements, financial reports and other public communications from Constantine Metal Resources Ltd. (CMR) in regards to its Palmer project near Haines, Alaska are not “full, true and plain” and leave out material information.

CMR has over the past several years repeatedly claimed or essentially indicated that A) it has access to a port in Haines that can load ore concentrate for export via ship and B) there is paved road access from the Palmer project to the port. Both are demonstrably false. There are no facilities in Haines to export ore concentrates by ship, no ore terminal. Additionally, about 12 miles of the project access road are unpaved and this gravel road is in poor shape and frequently washes out. Reliable road access and an export port are critical to the Palmer project, CMR, and its stock price and are clearly material issues.

As documented below, CMR’s disclosures about road access and access to a port that can handle ore concentrates for ship transportation have not been accurate or complete, and thus have been misleading the public and investors for years, and continue to do so. It is very unlikely this is an innocent oversight by CMR; it seems much more an attempt to obfuscate and avoid admitting that the company does not have a way to export its product. Unless the problems with this company’s disclosures are remedied promptly, investors and others will continue to base decisions on inadequate, inaccurate, and confusing information. We urge the Ontario Securities Commission to investigate our complaint and to A) require CMR to correct the problems in its public statements and to B) ensure such problems do not occur in the future. We request that the Commission list CMR on the Refilings and Errors List.

I. The Company

CMR is traded on the TSX-V under the symbol CEM. The company’s head office is:
Constantine Metal Resources Ltd.
800 West Pender St., Suite 320
Vancouver, BC V6C 2V6
Phone: +1 604.629.2348
<https://www.constantinemetals.com/>

The company is involved in several mining projects. The subject of this complaint is disclosures related to the Palmer project in Southeast Alaska near the town of Haines and the village of Klukwan.¹

¹ <https://www.constantinemetals.com/projects/palmer/>

II. SPECIFIC ITEMS OF THE COMPLAINT

CMR has a long history of misrepresenting the port facilities in Haines and road access from the Palmer project to the port. Practical and economically affordable access to a port that can handle mine concentrates for ocean shipment is fundamental to CMR's Palmer project, and does not exist. The company must accurately disclose the lack of such facilities and assets.

CMR's press statements, investor presentations, financial reports and other public communications about the Palmer project are not "full, true and plain" in that the company has essentially stated there is a port in Haines that can handle mine concentrates. This is demonstrably false. There are no facilities in Haines to handle mine concentrates for loading onto ships for export. Additionally there is no storage area for mine concentrates in Haines, which is also critical to the Palmer project as concentrates would be stored prior to export. This is material information CMR misrepresents or omits.

The Lutak Dock in Haines is the only port facility that, if it were in operable condition, would be capable of being retrofitted to possibly handle mine concentrates. However, that facility is in a state of disrepair that makes it unsafe and largely unusable.

"Originally constructed in 1953 by the U.S. Army Corps of Engineers, the Lutak Dock has recently experienced substantial local failures, causing a portion of the dock to be unusable. The remaining dock area is expected to fail or be condemned as unsafe within a decade. A 2014 structural assessment prepared by PND Engineers, Inc. concluded "the structure has reached the end of its credible 60-year service life" and "is effectively on borrowed time."²

"The bulkhead does not meet required factors of safety for normal operating conditions of self-weight dead load with surface live load and operating vehicles and cannot withstand a design level earthquake. Therefore, due to the age of the structure and the inspected deterioration, PND does not believe repairing the existing facility is a viable option."³

Discussion is now underway as to how to replace the Lutak Dock, but any eventual replacement is decades away. According to a local newspaper story:

"Fred Gray is a former fuel distributor in Haines and a member of the port and harbor committee...and said that the issue of an ore terminal is likely decades away. "We look at phase four which we're talking about tonight, mostly, is 20 years off in our commitment," Gray said. "Constantine and the Japanese (DOWA) could come in and talk us into an ore terminal next year, but I just don't see it in the near future, but it is a concern for all of us."⁴

CMR has repeatedly claimed or given the impression it can use a fully paved road from the Palmer site to the port of Haines. However, this ignores the facts that there are approximately 12 miles of unpaved gravel road (the Porcupine Road) from the site to where the paved road begins. This section of gravel

² Lutak Dock Replacement FY 2021 Grant Application, ED COFFLAND, Public Facilities Director, Haines Borough, ecoffland@haines.ak.us

³ Lutak Dock Structural Assessment, Haines, Alaska. Prepared for Haines Borough by PND Engineers, Inc., 1736 Fourth Avenue S., Suite A, Seattle, Washington 98134, 206.624.1387, www.pndengineers.com
https://www.hainesalaska.gov/sites/default/files/fileattachments/ports_and_harbors/page/1551/pnd_lutak_dock_structural_assessment_-_final_report.pdf

⁴ <https://www.chilkatvalleynews.com/story/2021/07/29/news/haines-unlikely-to-serve-as-port-for-yukon-ore-exports/15136.html>

road is in rough shape, frequently washes out and would need a significant and expensive upgrade to handle ore trucks.⁵ The condition of this unpaved road and the cost to upgrade it are of material significance to the Palmer project. Also, in some instances CMR describes the project as being 8 km from the paved highway (see III.1 below) or 2 km from the Haines Highway (see III.5 below). The former is confusing and the latter seems to represent an “as the crow flies” distance, as opposed to the actual road distance ore trucks would have to travel.

The issues listed above are clearly material as overseas shipment of concentrates is vital to the Palmer project, and thus port facilities are also vital. The cost, reliability and speed of trucking ore concentrates to a port is also a material issue for the Palmer project. These two issues are of significance to the company, its value and its stock price.

III. Company statements/disclosures related to the Haines port

This section documents many, but not all, disclosures and statements from CMR that would give any reader the impression CMR has fully paved road access to a port that can handle mine concentrates from the Palmer project. As noted above, part of the road is in very bad shape and such port facilities do not exist in Haines.

1. Company website, project description and overview

“This is an advanced stage Cu-Zn-Au-Ag exploration project in Southeast Alaska with road access and located only 60 km (37 miles) from the deep sea port at Haines, Alaska.”

“Excellent access - located adjacent to a paved Alaska state highway, with a short (60 kilometers/37 miles) haul to year-round deep-sea port facilities in Haines, Alaska, providing ready access to Asian mineral concentrate markets.”⁶

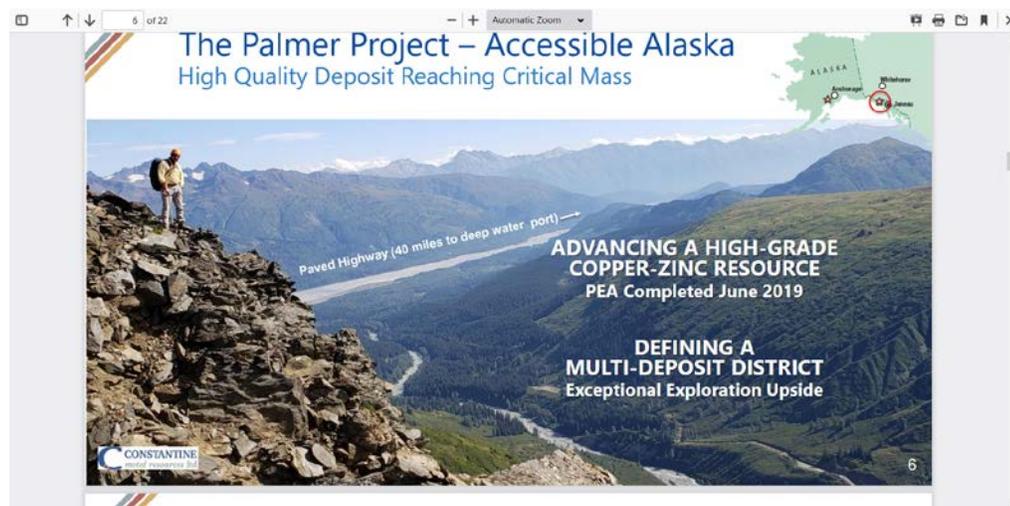


“The Alaska [Palmer](#) project is located approximately 8 km (5 miles) off the Alaska Highway between Haines Junction and the deep-water port of Haines, Alaska.”⁷

⁵ <https://www.chilkatvalleynews.com/story/2016/06/30/news/porcupine-road-floods-borough-repairs-40k/9395.html>

⁶ <https://www.constantinemetals.com/projects/palmer/>

2. Corporate presentations



“Transportation & Access: Short 60km haul on existing road to deepwater port”

“Exceptional infrastructure – roads, deep sea port, power, workforce”⁸

This YouTube presentation is not clear and accurate about the port or the road access:

1:51 Slide: The Palmer Project - A High Quality Asset Reaching Critical Mass

“...the Palmer Project...so it's in Alaska but an extremely accessible part of Alaska, we've got a paved highway leads up to the edge of the property, 40 miles kind of door-to-door from the project site from the deposit to deep tidewater, that's all season paved highway ice-free port...”

5:40 Slide: aerial photo of Deep Tidewater 60km By Road -- Existing Port Infrastructure

“...and that project leads by road to existing port facilities 40 miles to the Pacific Coast, so you know a lot of people think Alaska, think remote, there's probably not a lot of projects in North America that are closer to Pacific tidewater than ours with good well-paved roads and good infrastructure...”⁹

3. Financial Reports

The following language has been used repeatedly by CMR, in financial reports, including the nine listed below: “Palmer sits within 60 kilometers of the year-round deep-sea port of Haines”

<https://www.constantinemetals.com/site/assets/files/3774/fs-and-mda-combined-jan-2019.pdf> Condensed Consolidated Financial Statements of CONSTANTINE METAL RESOURCES LTD. For the three months ended January 31, 2019 and 2018

⁷ <https://www.constantinemetals.com/projects/overview/>

⁸ Presentation: Constantine Metals Resources - 121 Mining Investment London November 2018

⁹ Presentation: Constantine Metals Resources - 121 Mining Investment London November 2018

<https://www.youtube.com/watch?v=FYSNf2z16lk>

https://www.constantinemetals.com/site/assets/files/3904/fs_and_amended_md_a_combined_apr_2019_cem.pdf Condensed Consolidated Financial Statements of CONSTANTINE METAL RESOURCES LTD. For the three and six months ended April 30, 2019 and 2018

https://www.constantinemetals.com/site/assets/files/3982/cem_q3_financial_statements_and_q3_md_a_31july2019.pdf Condensed Consolidated Financial Statements of CONSTANTINE METAL RESOURCES LTD. For the three and nine months ended July 31, 2019 and 2018

https://www.constantinemetals.com/site/assets/files/4097/fs_md_a_combined_oct_2019_cem.pdf
Consolidated Financial Statements of CONSTANTINE METAL RESOURCES LTD.
For the years ended October 31, 2019 and 2018

<https://www.constantinemetals.com/site/assets/files/4101/2020-q1-fs-cem.pdf>
Condensed Consolidated Interim Financial Statements of CONSTANTINE METAL RESOURCES LTD. For the three months ended January 31, 2020 and 2019

https://www.constantinemetals.com/site/assets/files/4113/2020_q3_fs_md_a_combined_july_2020_cem.pdf Condensed Consolidated Interim Financial Statements of CONSTANTINE METAL RESOURCES LTD. For the three and nine months ended July 31, 2020 and 2019

https://www.constantinemetals.com/site/assets/files/4103/2020_q2_fs_cem.pdf
Condensed Consolidated Interim Financial Statements of CONSTANTINE METAL RESOURCES LTD. For the three and six months ended April 30, 2020 and 2019

https://www.constantinemetals.com/site/assets/files/4128/2020_q4_fs_md_a_combined_oct_31_2020.pdf Consolidated Financial Statements of CONSTANTINE METAL RESOURCES LTD.
For the years ended October 31, 2020 and 2019

<https://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00023827>
Management's Discussion and Analysis For the six months ended April 30, 2021

“The Palmer project is located in a very accessible part of coastal southeast Alaska, with road access to the edge of the property and within 60 kilometers of the year-round deep sea port of Haines.” Consolidated Financial Statements of CONSTANTINE METAL RESOURCES LTD. For the years ended October 31, 2015 and 2014
https://www.constantinemetals.com/site/assets/files/3827/fs_and_mda_combined_oct_31_2015_cem.pdf

4. News Releases

The following language has been used by CMR in press releases, including these three noted below: “Palmer is a high-grade volcanogenic massive sulphide-sulphate (“VMS”) project located in a very accessible part of coastal Southeast Alaska, with road access to the property and within 60 kilometers of the year-round deep-sea port of Haines”

<https://www.constantinemetals.com/news/2021/constantine-announces-us-8.8-million-budget-for-2021-palmer-copper-zinc-silver-gold-project-southeast-alaska/>

<https://www.constantinemetals.com/news/2020/blm-wins-9th-circuit-court-appeal-constantine-palmer-2020-exploration-in-progress/>

<https://www.constantinemetals.com/news/2020/june-24-2020-constantine-2020-program-at-palmer-zinc-copper-silver-gold-project-southeast-alaska/>

“It also highlights the excellent location and access of the Project, which is 40 miles by paved highway and logging road to the deep sea port town of Haines.”

<https://www.constantinemetals.com/news/2016/constantine-starts-road-construction-and-provides-progress-update-palmer-copper-zinc-silver-gold-project-southeast-alaska/>

“The project is located in a very accessible part of coastal Southeast Alaska, with road access to the edge of the property and within 60 kilometers of the year-round deep sea port of Haines.”

<https://www.constantinemetals.com/news/2016/constantine-announces-plans-and-budget-for-2016-palmer-copper-zinc-silver-gold-project-southeast-alaska/>

5. Preliminary Economic Assessment

The Preliminary Economic Assessment released in 2019 also misrepresents the Haines port facilities.¹⁰

“The Palmer Project is located 60 km northwest from Haines, Alaska in the Alaska panhandle. It lies 2 km from the Haines Highway, which links the deep-sea port of Haines, Alaska, USA with Haines Junction, Yukon, Canada on the Alaska Highway.” At P. 1-18

“The final concentrates will be thickened then filtered to the targeted moisture content of 8% for Cu and Zn and loaded into trucks as a bulk concentrate for transport to a local port and sent to smelters.” At P. 1-29

“The Project lies 2 km from the Haines Highway, which links the deep-sea port of Haines, a terminal of the Alaska Marine Highway system, with British Columbia, Yukon, and the Alaska Highway.” At P.4-1

“Haines...is a year-round deep-sea port at the north end of the Alaska Marine Highway, and the town boasts infrastructure to support exploration and mining operations.” At P. 5-1

IV. CMR statements about road access

This YouTube presentation from March 6, 2019 is not “full, true and plain” in that it gives the impression that there is a fully paved road from the mine to the port in Haines.

2:05 Slide: The Palmer Project - Accessible Alaska - High Quality Deposit Reaching Critical Mass
“...talking about Palmer, we are in Alaska ... we're in a very accessible part of Alaska and that's key when you're dealing with a base metal asset that has to get concentrate to market, we literally look over a paved highway, brand new bridge that connects our project by road to that highway and 40 miles to a deep-sea port...”¹¹

Additionally see the YouTube presentation and corporate presentation described above in Sections III.1 and III.2 above.

V. MATERIALITY

The existence or lack of a port facility in Haines, Alaska that can handle mine concentrates for overseas shipments is clearly critical and material to the Palmer project, since without such facilities CMR cannot

¹⁰ https://www.constantinemetals.com/site/assets/files/3913/constantine_palmer_pea_report_18july2019_final.pdf

¹¹ <https://www.youtube.com/watch?v=xghgNw7gRQo&t=48s>

move its product to market. The condition of the mine haul road, and cost to upgrade it, is also clearly vital and material to the Palmer project as the condition of the road will influence how much ore can be moved how fast and at what cost, which will have a definite effect on project feasibility, logistics and costs.

CMR must accurately describe these port facilities and roads, yet it clearly has not. The language used in the examples above seems purposefully vague, and clearly is not “fair, plain and true.” It is unlikely this is the result of an innocent oversight by CMR or misreading of the company’s disclosures by observers. The repeated use of similar, and misleading, language about port and road access seems much more a deliberate and concerted effort to avoid the fact that there is no export port or fully-paved, reliable access road available for the Palmer project.

Investors, political leaders, local citizens and others need to be able to depend on the accuracy of statements from CMR and it is up to the Ontario Securities Commission to ensure such accuracy. We urge the Commission to investigate our complaint and to A) require CMR to correct the problems in its public disclosures and statements and to B) ensure such problems do not occur in the future. We also request that the Ontario Securities Commission list CMR on the Refilings and Errors List. Thank you for considering this complaint.

Sincerely,



Chris Zimmer
Alaska Campaign Director
Rivers Without Borders



Gershon Cohen, Ph. D.
Project Director
Alaska Clean Water Advocacy



Jessica Plachta
Executive Director
Lynn Canal Conservation

Cc:
Alberta Securities Commission
British Columbia Securities Commission