

Consolidated Financial Statements of

**CONSTANTINE METAL RESOURCES LTD.**

For the period ended January 31, 2007

(Interim Unaudited – Prepared by Management)

NOTICE OF 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.

**CONSTANTINE METAL RESOURCES LTD.**  
 Consolidated Balance Sheet  
 (Interim Unaudited – Prepared by Management)  
 As at January 31 2007 and October 31, 2006

	January 31, 2007	October 31, 2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,416,559	\$ 1,543,169
Accounts receivable	43,773	34,126
Prepaid expenses	1,048	2,194
	1,461,380	1,579,489
Equipment	3,611	3,611
Mineral property – Palmer (Schedule, Note 4)	1,662,057	1,633,872
	\$ 3,127,048	\$ 3,216,972
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 52,166	\$ 134,342
<b>Shareholders' equity</b>		
Share capital (Note 5a)	3,045,209	3,045,209
Contributed surplus	540,495	540,495
Deficit	3,585,704	(503,074)
	(510,823)	3,082,630
	\$ 3,127,048	\$ 3,216,972

**Approved by the Board of Directors:**

Garfield MacVeigh  
 Director

K. Wayne Livingstone  
 Director

See accompanying notes to financial statements.

**CONSTANTINE METAL RESOURCES LTD.**  
Consolidated Statement of Operations and Deficit  
(Interim Unaudited – Prepared by Management)  
For the 3 months ended January 31, 2007

	Jan 31, 2007
Interest income	\$ 9,096
Expenses:	
Professional fees – audit	790
Management fees	3,000
General and administrative	10,142
Rent	2,913
	\$ 16,844
Loss for the period	\$ (7,749)
Deficit, beginning of period	(503,074)
Deficit, end of period	\$ (510,823)
Loss per share	\$ < 0.01
Weighted average number of common shares outstanding	\$ 14,790,153

See accompanying notes to financial statements.

**CONSTANTINE METAL RESOURCES LTD.**  
Consolidated Statement of Cash Flows  
(Interim Unaudited – Prepared by Management)  
For the 3 months ended January 31, 2007

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Cash provided by (used in):

Operations:

Loss for the period	\$ (7,749)
Changes in non-cash working capital accounts:	
Accounts receivable	(43,773)
Accounts payable	(52,166)
Prepaid expenses	1,048
	<hr/>
	(102,640)

Investing activities:

Mineral property expenditures (Note 4)	(783,345)
Increase (decrease) in cash	(126,610)

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Cash, beginning of period	1,543,169
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Cash, end of period	\$ 1,416,559
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Supplemental Disclosure of Non-Cash Financing Activities:

Refer to notes 4 and 5

**CONSTANTINE METAL RESOURCES LTD.**  
Schedule of Deferred Mineral Property Costs  
(Interim Unaudited – Prepared by Management)  
For the 3 months ended January 31, 2007

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<b>Palmer Property, Alaska, USA (Note 4)</b>	
Acquisition	\$ 878,712
Exploration	<u>755,160</u>
Balance at October 31, 2006	\$ <u>1,633,872</u>
Expenditures during the quarter:	
Advance royalty payments	12,072
Assaying and testing	1,832
Field transportation	2,537
Other and miscellaneous	<u>11,744</u>
	<u>28,185</u>
<b>Balance, January 31, 2007</b>	<b>\$ 1,662,057</b>

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See accompanying notes to financial statements.

1. **Nature of Operations**

The Company was incorporated under the Business Corporations Act (British Columbia) on March 3, 2006. The Company was listed on the TSX Venture Exchange in August, 2006 following completion of an IPO which raised gross proceeds of \$2.2 million.

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

2. **Significant Accounting Policies**

a) **Basis of presentation**

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

b) **Use of estimates**

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

c) **Cash and cash equivalents**

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

d) **Equipment and Leasehold Improvements**

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

e) **Earnings (Loss) per Share**

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

f) **Stock-Based Compensation**

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

g) **Foreign Currency Translation**

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

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

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

h) **Mineral Property Costs**

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

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

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

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

i) **Management's Estimates**

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

3. **Fair Value of Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and amounts due to related parties. Unless otherwise noted, it is management's

**CONSTANTINE METAL RESOURCES LTD.**  
Notes to Consolidated Financial Statements  
(Interim Unaudited – Prepared by Management)  
For the 3 months ended January 31, 2007

opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

**4. Acquisition of Toquima North and the Palmer Property**

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

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

The Company has spent \$783,345 on the Palmer property to date, bringing its total investment in the project to \$1,662,057 at January 31, 2007.

**5. Share Capital**

a) **Details of share capital are as follows:**

	Shares	Amount
Authorized:		
Unlimited common shares without par value		
Issued and fully paid:		
Issued at incorporation	1	\$ 1
Issued on the acquisition of the outstanding share capital of Toquima North	1	1
Issuance of escrowed common shares to Carlin	2,000,000	20,000
Conversion of private placement special warrants	1,500,000	375,000
Conversion of Carlin special warrants	5,540,911	878,710
Initial public offering	5,500,000	1,782,516
Issued to Agent as part of commission on IPO	199,240	79,696
Issued to Agent on completion of IPO	50,000	20,000
Broker warrants issued, at fair value	-	(110,715)
Balance - October 31, 2006	14,790,153	\$ 3,045,209
Balance - January 31, 2007	14,790,153	\$ 3,045,209



**CONSTANTINE METAL RESOURCES LTD.**  
Notes to Consolidated Financial Statements  
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For the 3 months ended January 31, 2007

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b) **Warrants**

As at January 31, 2007, the following share purchase warrants were outstanding:

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

c) **Escrow Shares**

As at January 31, 2007, 6,426,758 shares were held in escrow and will be released over a three year period, based on a predetermined schedule.

d) **Contributed Surplus**

Opening Balance, October 31, 2006	\$ 540,495
Closing Balance, January 31, 2007	\$ 540,495

e) **Share Purchase Options**

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

A summary of the Company's options outstanding as at January 31, 2007 is as follows:

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

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

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

**CONSTANTINE METAL RESOURCES LTD.**  
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**6. Related Party Transactions**

The following represents the details of related party transactions paid or accrued during the quarter ended January 31, 2007:

Management fees paid to a company owned by a director	\$	3,000
Accounting and administration fees paid or accrued to a company 50% owned by an officer of the Company		9,000
	<u>\$</u>	<u>12,000</u>

# CONSTANTINE METAL RESOURCES LTD.

FORM 51-102F1  
MANAGEMENT DISCUSSION & ANALYSIS

JANUARY 31, 2007

This MD&A should be read in conjunction with the audited financial statements and notes for the quarter ended January 31, 2007, and includes information up to March 15, 2007.

## Company Overview

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

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

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

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

For the quarter ending January 31, 2007, the Company spent \$23,178 on exploration and incurred a net loss of \$6,636 (less than \$0.01/share on a basic and diluted basis).

The Company's cash position at January 31, 2007 was \$1,416,559, which is sufficient to meet the project and corporate needs for the year. Constantine's working capital position at January 31, 2007 was \$1,415,333.

## Palmer Project - Alaska

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

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

# CONSTANTINE METAL RESOURCES LTD.

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

**JANUARY 31, 2007**

## Exploration Highlights

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

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

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

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

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

## **Results of Operations**

The Company does not currently have any field operations during the winter months, so its activities and expenditures during the quarter were limited to general and administrative matters and maintenance of the Palmer property. Since the beginning of the fiscal year the Company's accounts payable were reduced by \$88,663, being the remainder of payments made for bills and services incurred during last summer's drilling season.

The net loss for the quarter was a nominal \$6,636, consisting of general and administrative costs. Only \$23,178 was spent on the Palmer project, consisting primarily of an advance royalty payment on the property.

The Company earned \$9,096 in interest income during the quarter from a bank term deposit.

# CONSTANTINE METAL RESOURCES LTD.

FORM 51-102F1  
MANAGEMENT DISCUSSION & ANALYSIS

JANUARY 31, 2007

## Summary of Quarterly Results

The following is a summary of certain consolidated financial information concerning the Company since inception (ie. the last three quarters):

Quarter ended	Total Revenues	Income (Loss)	Income (Loss) per share
January 31, 2007	\$9,096	\$ (6,636)	\$ <(0.01)
October 31, 2006	\$14,625	\$(124,515)	\$ <(0.01)
July 31, 2006	\$ Nil	\$(378,559)	\$ <(0.01)

In the quarter ended January 31, 2007 the Company did not conduct any significant field work, and there were no field programs underway, due to the winter season in Alaska. The following expenditures were incurred on the Palmer project during the quarter:

Advance royalty payments	\$ 12,072
Assaying and testing	1,832
Field transportation	2,537
Other and miscellaneous	6,737
Total	<u>\$ 23,178</u>

## Liquidity and Capital Resources

The Company's total cash position at January 31, 2007 was \$1,416,559, sufficient to meet its project and corporate needs for the ensuing year. The working capital position at January 31, 2007 was \$1,415,333.

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

## Off-Balance Sheet Arrangements

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

## Related Party Transactions

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

Management fees to a company owned by a director	\$ 3,000
Accounting and administration fees paid or accrued to a company 50% owned by an officer of the Company	9,000
	<u>\$ 12,000</u>

# CONSTANTINE METAL RESOURCES LTD.

FORM 51-102F1  
MANAGEMENT DISCUSSION & ANALYSIS

JANUARY 31, 2007

## Critical Accounting Estimates

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

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

## Financial Instruments

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

## Forward-Looking Statements

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

## Risk Factors

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

### *Industry*

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

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures

# CONSTANTINE METAL RESOURCES LTD.

FORM 51-102F1  
MANAGEMENT DISCUSSION & ANALYSIS

JANUARY 31, 2007

do not guarantee the company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

## *Metal Prices*

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

## *Political Risk*

The resource properties on which the Company is actively pursuing its exploration and development activities are all located in Alaska. While the political climate in Alaska is considered by the Company to be stable, there can be no assurances that this will continue indefinitely. To alleviate such risk, the Company funds its operations on an as-needed basis. The Company does not presently maintain political risk insurance for its foreign exploration projects.

## *Environmental*

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

## **Other**

Additional information about the Company may be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).