KERR MINES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2018

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

Notice To Reader

The accompanying unaudited condensed interim consolidated financial statements of Kerr Mines Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

Kerr Mines Inc.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
Unaudited

	As at September 30, 2018	As at June 30, 2018
ASSETS		
Current assets		
Cash	**$ 149,706**	$ 1,035,247
Marketable securities (note 3)	**513,336**	2,519
Assets held for sale (note 3)	**-**	27,747
Accounts receivable (note 5)	**7,019**	216,588
Prepaid expenses and other assets	**301,277**	319,044
Total current assets	**971,338**	1,601,145
Non-current assets		
Restricted investments (note 4)	**1,056,289**	1,531,890
Property, plant and equipment (note 6)	**9,714,298**	9,994,569
Mining properties (note 7)	**7,270,465**	7,270,465
Total assets	**$ 19,012,390**	$ 20,398,069
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	**$ 779,291**	$ 855,095
Liabilities directly associated with assets held for sale (note 3)	**-**	476,778
Total current liabilities	**779,291**	1,331,873
Non-current liabilities		
Promissory note payable (note 9)	**2,180,241**	2,136,863
Convertible promissory notes payable (note 10)	**4,201,357**	4,194,119
Derivative financial liabilities (note 10)	**397,043**	208,739
Loan payable (note 11)	**3,935,076**	3,856,783
Decommissioning liabilities (note 12)	**2,149,936**	2,174,079
Total liabilities	**13,642,944**	13,902,456
Equity		
Share capital (note 13)	**139,366,531**	139,366,531
Contributed surplus	**10,531,788**	10,531,788
Warrant reserve (note 15)	**2,699,910**	2,699,910
Share-based payments reserve (note 14)	**1,721,044**	1,696,578
Accumulated other comprehensive income	**527,209**	498,689
Deficit	**(149,477,036)**	(148,297,883)
Total equity	**5,369,446**	6,495,613
Total liabilities and equity	**$ 19,012,390**	$ 20,398,069

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Nature of operations and going concern (note 1)
Commitments and contingencies (note 20)
Subsequent event (note 22)

Approved on behalf of the Board:

(Signed) "Fahad Al Tamimi" Director (Signed) "Claudio Ciavarella" Director

Kerr Mines Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
Unaudited

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Operating expenses		
Exploration and evaluation expenditures (note 16)	**$ 914,196**	$ 2,049,820
General and administrative	**10,485**	10,827
Depreciation (note 6)	**112,084**	44,750
Salaries and benefits	**2,134**	58,849
Consulting fees	**38,495**	50,000
Professional fees	**14,402**	25,660
Promotion and travel	**-**	17,191
Shareholder relations	**40,686**	344,274
	(1,132,482)	(2,601,371)
Gain (loss) on disposal of other assets	**525,272**	(398,851)
Unrealized loss on marketable securities	**(42,202)**	-
Finance charges	**(207,602)**	(68,553)
Net gain on settlement of debts (note 17)	**-**	1,062,651
Loss on revaluation of derivative liability	**(222,626)**	(99,461)
Interest and other revenue	**3,615**	-
Loss on foreign exchange	**(78,662)**	(476,967)
Share-based payments (note 14)	**(24,466)**	(334,808)
Net loss for the period	**$ (1,179,153)**	$ (2,917,360)
Other comprehensive income (loss)		
Foreign exchange difference	**$ 28,520**	$ (39,740)
Other comprehensive income (loss) for the period	**$ 28,520**	$ (39,740)
Total comprehensive loss for the period	**$ (1,150,633)**	$ (2,957,100)
Basic and diluted net loss per share (note 18)	**$ (0.00)**	$ (0.01)
Weighted average number of common shares outstanding	**255,785,168**	235,413,299

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Kerr Mines Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Unaudited

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Operating activities		
Net loss for the period	**$ (1,179,153)**	$ (2,917,360)
Adjustments for:		
Depreciation	**112,084**	44,750
Share-based payments	**24,466**	334,808
Accretion expenses	**222,626**	44,626
Unrealized loss on marketable securities	**42,202**	-
Net gain on settlement of debts	**-**	(1,062,651)
Loss on revaluation of derivative liability	**204,167**	-
Foreign exchange	**81,180**	202,427
(Gain) loss on disposal of other assets	**(544,645)**	398,851
Changes in non-cash working capital items:		
Accounts receivable	**209,569**	(2,876)
Prepaid expenses and other assets	**17,767**	242,411
Accounts payable and accrued liabilities	**(75,804)**	(1,008,577)
Net cash used in operating activities	**(885,541)**	(3,723,591)
Financing activities		
Issue of units, net of costs	**-**	1,584,701
Loans (repaid) advanced	**-**	(200,000)
Net cash provided by financing activities	**-**	1,384,701
Net change in cash	**(885,541)**	(2,338,890)
Cash, beginning of period	**1,035,247**	5,065,452
Cash, end of period	**$ 149,706**	$ 2,726,562

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Kerr Mines Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)
Unaudited

		Reserves					
	Share capital	**Contributed surplus**	**Share-based payments reserve**	**Warrant reserve**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total**
Balance, June 30, 2017	**$132,264,928**	**$ 10,531,788**	**$ 178,496**	**$ 2,379,100**	**$ 1,286,626**	**$(136,729,749)**	**$ 9,911,189**
Share issuance on private placement, net of cost	1,584,701	-	-	-	-	-	1,584,701
Warrants issued	(573,900)	-	-	573,900	-	-	-
Share-based payments	-	-	334,808	-	-	-	334,808
Net loss and comprehensive loss for the period	-	-	-	-	(39,740)	(2,917,360)	(2,957,100)
Balance, September 30, 2017	**$133,275,729**	**$ 10,531,788**	**$ 513,304**	**$ 2,953,000**	**$ 1,246,886**	**$(139,647,109)**	**$ 8,873,598**
Balance, June 30, 2018	**$139,366,531**	**$ 10,531,788**	**$ 1,696,578**	**$ 2,699,910**	**$ 498,689**	**$(148,297,883)**	**$ 6,495,613**
Share-based payments	-	-	24,466	-	-	-	24,466
Net loss and comprehensive loss for the period	-	-	-	-	28,520	(1,179,153)	(1,150,633)
Balance, September 30, 2018	**$139,366,531**	**$ 10,531,788**	**$ 1,721,044**	**$ 2,699,910**	**$ 527,209**	**$(149,477,036)**	**$ 5,369,446**

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

1. Nature of operations and going concern

Kerr Mines Inc. ("Kerr" or the "Company") is incorporated under the laws of the Province of Ontario. The principal business activities are directed towards exploring and developing the Copperstone gold property in La Paz County, Arizona, United States. To date, the Company has not earned significant revenue as all properties are pre-production.

The Company is listed on the Toronto Stock Exchange, trading under the symbol KER. The Company's corporate office and principal place of business is located at 18 King Street East, Suite 902, Toronto, Ontario, M5C 1C4, Canada.

As at September 30, 2018, the Company had working capital of $192,047 (June 30, 2018 – $269,272). The Company has incurred losses in previous periods and has not yet achieved profitable operations, with a current loss of $1,179,153 for three months ended September 30, 2018 (three months ended September 30, 2017 - loss of $2,917,360) and has an accumulated deficit of $149,477,036 as at September 30, 2018, (June 30, 2018 - $148,297,883), and expects to incur future losses in the development of its business and requires additional financing to continue to be able to operate, retain rights to its properties and carry out exploration and development of its properties, all of which casts significant doubt about the Company's ability to continue as a going concern. These unaudited condensed interim consolidated financial statements have been prepared on a going-concern basis and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material. While the Company expects to be able to obtain sufficient financing to continue as a going concern, it is not possible to predict whether financing efforts will be successful.

As at September 30, 2018, the Company is in the process of advancing the Copperstone Mine project to production. The continued operations of the Company and the amounts recoverable on the properties are dependent upon the ability of the Company to obtain the financing to continue the Company's current focus of maximizing Copperstone's potential by defining and expanding current resources and strengthening the mine's economics leading to project financing and a production decision.

2. Significant accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS's issued and outstanding as of November 12, 2018, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended June 30, 2018, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending June 30, 2019 could result in restatement of these unaudited condensed interim consolidated financial statements.

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

New standards adopted

IFRS 9 - Financial Instruments ("IFRS 9")

On July 24, 2014, the IASB issued the completed IFRS 9, Financial Instruments, ("IFRS 9 (2014") to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”) based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 - Financial Instruments: Recognition and Measurement, for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in it's unaudited condensed interim consolidated financial statements on July 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on July 01, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the unaudited condensed interim consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the unaudited condensed interim consolidated statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Classification	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables (amortized cost)	Amortized cost
Accounts receivable	Loans and receivables (amortized cost)	Amortized cost
Marketable securities	Fair value through profit and loss ("FVTPL")	FVTPL
Restricted investments	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Promissory note payable	Other financial liabilities (amortized cost)	Amortized cost
Convertible promissory notes payable	Other financial liabilities (amortized cost)	Amortized cost
Loan payable	Other financial liabilities (amortized cost)	Amortized cost
Decommissioning liabilities	Other financial liabilities (amortized cost)	Amortized cost
Derivative financial liabilities	Fair value through profit and loss ("FVTPL")	FVTPL

The original carrying value of the Company’s financial instruments under IAS 39 has not changed under IFRS 9.

2. Significant accounting policies (continued)

New standards adopted (continued)

IFRS 2 - Share-based Payment ("IFRS 2")

IFRS 2 was amended in June 2016, clarifying the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled. At July 01, 2018, the Company adopted this standard and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. At July 01, 2018, the Company adopted this standard and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

New standards not yet adopted and interpretations issued but not yet effective

IFRS 10 - Consolidated Financial Statements ("IFRS 10"). IFRS 10 and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IFRS 16 - Leases ("IFRS 16") was issued on January 13, 2016. The new standard brings most leases onto the balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its unaudited condensed interim consolidated financial statements.

3. Assets held for sale and liabilities directly associated with assets held for sale

Assets held for sale

The McGarry property, Barber Larder Property, and all related plant and equipment (collectively "McGarry assets") have been classified as held for sale in first quarter of 2018 for the following reasons:

- ♦ The directors of the Company made the determination that it would pursue the possible sale of the McGarry assets to two potential purchasers;
- ♦ McGarry assets were available for sale in its current condition;
- ♦ The actions to complete the sale were expected to be completed within one year;

(Expressed in Canadian Dollars)

3. Assets held for sale and liabilities directly associated with assets held for sale (continued)

Liabilities directly associated with assets held for sale

The decommissioning liabilities directly associated to the McGarry assets have been classified as liabilities directly associated with assets held for sale.

No exploration or development activities had been undertaken on the McGarry assets since 2014. The assets were sold to Orefinders Resources Inc., ("Orefinders") (TSX-V:ORX), a Canadian based junior gold exploration company, for 8 million common shares of Orefinders; and 440,248 common shares of Power Ore (TSXV: PORE), a battery metal focused company. The Company has divested all its interest in the McGarry assets to Orefinders and closed the transaction on August 15, 2018. The shares has been valued at $553,019.

As at June 30, 2018, there was no impairment for the assets held for sale since the liabilities directly associated with assets held for sale was higher than the assets held for sale. The net amount was negative and resulted in a gain.

The details of the McGarry assets and liabilities are as follows:

Mineral properties (Note 7)		
McGarry property	$	-
Barber Larder property		-
Total mineral properties classified as assets held for sale		-
Property and equipment (Note 6)		
Buildings		19,709
Mine and Mill equipment		-
Surface Vehicles		4,063
Computer equipment		3,975
Total property and equipment classified as assets held for sale		27,747
Assets held for sale at June 30, 2018		**27,747**
Decommissioning liabilities related to McGarry property (Note 12)		476,778
Liabilities directly associated with assets held for sale at June 30, 2018	**$**	**476,778**

4. Restricted investments

		As at September 30, 2018		**As at June 30, 2018**
Restricted investments				
Guaranteed investment certificates ("GIC") (1)	**$**	**-**	$	457,405
Short-term cashable account (2)		**1,056,289**		1,074,485
Total	**$**	**1,056,289**	$	1,531,890

(1) Letters of credit are secured by the GIC investment as disclosed in (note 20) and relate to the decommission liabilities on the McGarry property (note 7). This amount was released to the Company after the disposal of McGarry assets in August 2018.

(2) Pursuant to the term of the surety bond disclosed in (note 20) the Company provided cash collateral of $1,056,289 or US$816,000 (June 30, 2018 - $1,074,485 or US$816,000) which is held with the Bank of New York in the name of the Company to cover a portion of the decommission liabilities related to Copperstone property (note 7).

(Expressed in Canadian Dollars)

5. Accounts receivable

	As at September 30, 2018	As at June 30, 2018
HST receivable	**$ 5,000**	$ 214,569
Other receivables	**2,019**	2,019
Total	**$ 7,019**	$ 216,588

6. Property, plant and equipment

Cost	**Buildings**	**Mine and mill equipment**	**Surface vehicles**	**Computer equipment**	**Mill**	**Total**
Balance, June 30, 2017	$ 2,588,450	$ 1,893,536	$ 2,315,301	$ 115,221	$ 5,590,433	$12,502,941
Disposals	-	-	(768,052)	-	-	(768,052)
Foreign exchange differences	38,422	20,618	22,181	893	131,854	213,968
Assets held for sale	(74,813)	(1,353,229)	(15,334)	(54,619)	-	(1,497,995)
Balance, June 30, 2018	2,552,059	560,925	1,554,096	61,495	5,722,287	10,450,862
Foreign exchange differences	52,032	(57,693)	118,556	-	(281,082)	(168,187)
Balance, September 30, 2018	$ 2,604,091	$ 503,232	$ 1,672,652	$ 61,495	$ 5,441,205	$10,282,675

Accumulated depreciation	**Buildings**	**Mine and mill equipment**	**Surface vehicles**	**Computer equipment**	**Mill**	**Total**
Balance, June 30, 2017	$ 55,104	$ 1,425,627	$ 27,938	$ 108,084	$ -	$ 1,616,753
Depreciation for the year	-	61,798	243,935	4,055	-	309,788
Assets held for sale	(55,104)	(1,353,229)	(11,271)	(50,644)	-	(1,470,248)
Balance, June 30, 2018	-	134,196	260,602	61,495	-	456,293
Depreciation for the period	-	23,272	88,812	-	-	112,084
Balance, September 30, 2018	$ -	$ 157,468	$ 349,414	$ 61,495	$ -	$ 568,377

Carrying value	**Buildings**	**Mine and mill equipment**	**Surface vehicles**	**Computer equipment**	**Mill**	**Total**
Balance, June 30, 2018	$ 2,552,059	$ 426,729	$ 1,293,494	$ -	$ 5,722,287	$ 9,994,569
Balance, September 30, 2018	$ 2,604,091	$ 345,764	$ 1,323,238	$ -	$ 5,441,205	$ 9,714,298

(Expressed in Canadian Dollars)

7. Mineral properties

The mineral property additions and evaluation, exploration and care and maintenance expenses for the Company on its properties are broken down as follows:

	As at September 30, 2018	As at June 30, 2018
Copperstone Property	**$ 7,270,465**	$ 7,270,465
Total	**$ 7,270,465**	$ 7,270,465

Copperstone

The Company is engaged in exploring and developing the Copperstone gold property ("Copperstone Project") in La Paz County, Arizona, United States.

The Company holds a 100% leasehold interest in the Copperstone Project. The landlord is The Patch Living Trust. The current lease expires June 12, 2026. The lease is renewable for one or more ten-year terms at the Company's option under the same terms and conditions. The Company is obligated to pay for all permitting and state lease bonding, insurance, taxes, and is also required to pay an annual lease payment of USD $40,000 to the Patch Living Trust. In addition, the Company is obligated to pay a quarterly production gross royalty equal to 1.5% of the disposition of Metal Products by the Company. Total annual production gross royalty obligations for the Copperstone Property total 6%. Of the annual gross production royalty, 4.5% is payable to Trans Oceanic Minerals Company Ltd., a company controlled by Fahad Al Tamimi, the Company's Chairman of the Board of Directors, and 1.5% payable to the Patch Living Trust.

All required property payments were made with respect to the Copperstone Project as of September 30, 2018, and all claims are in good standing. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and 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, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's ability to retain the rights to certain of its properties is dependent upon the Company continuing to make option payments and meet other commitments.

McGarry Property

The McGarry Property is located in the southwestern part of McGarry Township within the Larder Lake Mining Division of Ontario, Canada. The McGarry Property consists of 34 contiguous, patented mining claims (31) and mining licenses of occupation (3) totaling 1,112.0 acres with surface rights on a majority of the claims totaling 975.56 acres. The mining rights and surface rights are all in good standing and are maintained by the payment of annual taxes since no work requirements exist.

The McGarry property is owned 75% by Kerr Mines Inc. and 25% by Jubilee Gold Inc. All proceeds of production from the property are to the Company, subject to a royalty interest held by Jubilee Gold Inc. which provides for a net smelter royalty payable to Jubilee starting at 2% and increasing to 4% when the price of gold exceeds US$800 per ounce. On February 28, 2017, the Company reached an agreement with Jubilee Gold Exploration Ltd. to settle the accrued advance royalty payable. The companies have also revised their existing royalty agreement to remove all future advance royalty obligations relating to the McGarry property. The Company paid $100,000 to settle the existing liability of approximately $1,000,000 and paid a further $100,000 in consideration for the cancellation of all future advance royalty obligations.

(Expressed in Canadian Dollars)

7. Mineral properties (continued)

McGarry Property (continued)

The McGarry property was sold to Orefinders Resources Inc., for 8 million common shares of Orefinders; and 440,248 common shares of Power Ore. The Company has divested all of its interest in the McGarry assets to Orefinders and closed the transaction on August 15, 2018 (note 3).

Barber Larder Property

The Barber Larder Property consists of 15 patented claims and 2 mining licenses of occupation totaling 237 hectares or 585 acres. The mining claims are located contiguous to the western boundary of the Company's McGarry Property.

The Barber Larder property was sold to Orefinders on August 15, 2018 (note 3).

8. Accounts payable and accrued liabilities

	As at September 30, 2018	As at June 30, 2018
Trade payables	**$ 528,070**	$ 722,470
Accrued liabilities	**251,086**	132,500
Payroll liabilities	**135**	125
Total	**$ 779,291**	$ 855,095

9. Promissory note payable

Braydon Capital Corporation, (a company controlled by Claudio Ciavarella, an Officer, director and shareholder of Kerr) and Trans Oceanic Minerals Corporation Ltd. (a company controlled by Fahad Al Tamimi (Kerr's Chairman of the Board, a shareholder and creditor of Kerr) have each agreed to provide the Company with a promissory notes of $1,000,000 bearing interest at 8% after the first year and having a maturity date three (3) years from the date of issuance. Kerr has drawn against these facilities to meet its on-going working capital requirements, short term obligations and the payment of settlement amounts to various creditors. The notes are secured by a general security agreement in the Copperstone Mine. The balance includes accrued interest of $180,241 as at September 30, 2018 (June 30, 2018 - $136,863).

The Company has presented the $2,180,241 as long-term as the Company and the related parties are in discussion to extend the debt to August 2020.

	September 30, 2018	June 30, 2018
Long term debt facility	**$ 2,000,000**	$ 2,000,000
Accrued interest	**180,241**	136,863
Total	**$ 2,180,241**	$ 2,136,863

10. Convertible promissory notes payable

Kerr debenture I

The Company has a convertible promissory note in the amount of US$2,054,570 (“Kerr debenture I”) payable to Trans Oceanic Minerals Corporation Ltd. The Kerr Debenture I has a maturity date of August 22, 2019, interest rate of 8% per annum, compounded monthly, payable quarterly. The interest will not accrue and will not be payable until August 22, 2017. The holder has the right to convert any part of the amount owing into common shares of the Company at a conversion price of $0.90 per common share.

Kerr debenture II

The Company has a convertible promissory note in the amount of US$1,000,000 (“Kerr debenture II”) payable to Trans Oceanic Minerals Corporation Ltd. The Kerr Debenture II has a maturity date of August 22, 2019, interest rate of 8% per annum, compounded monthly, payable quarterly. The interest will not accrue and will not payable until August 22, 2017. The holder has the right to convert any part of the amount owing into common shares of the Company at a conversion price of $0.065 per common share.

The conversion feature of a convertible financial instrument is presumed to be classified as a derivative financial liability unless it meets all the criteria to recognize as equity instrument under IAS 32 - Financial Instruments: Presentation. One of criteria is that the conversion option exchanges a fixed amount of shares for a fixed amount of cash ("fixed for fixed"). Since the convertible promissory note payables are denominated in US dollar, but are convertible into common shares based upon a Canadian dollar conversion rate, therefore the fixed for fixed criteria is not met. As such, the conversion option cannot be classified as an equity instrument. The company allocated the convertible promissory note payables into two components, with the debentures carried at amortized cost, and the conversion option carried at fair-value. On initial recognition, $258,305 has been allocated to the derivative financial liabilities, classified as fair value through profit and loss; and $3,697,363 has been allocated to the debenture component.

For the three months ended September 30, 2018 accretion expense of $21,525 (for the year 2017 - $86,102) was recorded related to the convertible debenture component.

The fair value of the derivative financial liabilities increased by $188,304 during the three months ended September 30, 2018, and increased by $20,709 during the year ended June 30, 2018 due to the changes in stock price, risk free rate and expected volatility at the end of each reporting date.

The Company has presented the $4,201,357 as long-term as the Company and the related party are in discussion to extend the debt to August 2020.

(Expressed in Canadian Dollars)

10. Convertible promissory notes payable (continued)

(i) Debenture component		
Kerr debenture I	$	2,660,668
Kerr debenture II		1,295,000
Less derivative financial liabilities on initial recognition		(258,305)
Convertible promissory notes payables at August 22, 2016		**3,697,363**
Accrued interest		-
Accretion expenses		71,752
Foreign exchange difference		8,247
Convertible promissory notes payables at June 30, 2017		**3,777,362**
Accrued interest		272,313
Accretion expenses		86,102
Foreign exchange difference		58,342
Convertible promissory notes payables at June 30, 2018	**$**	**4,194,119**
Accrued interest		82,496
Accretion expenses		21,525
Foreign exchange difference		(96,783)
Convertible promissory notes payables at September 30, 2018	**$**	**4,201,357**

(ii) Debenture component		
Derivative financial liabilities on initial recognition	$	258,305
Loss on derivative financial liabilities		20,709
Balance at June 30, 2017		**279,014**
Gain on derivative financial liabilities		(70,275)
Balance at June 30, 2018	**$**	**208,739**
Gain on derivative financial liabilities		188,304
Balance at September 30, 2018	**$**	**397,043**

11. Loan payable

This loan was a promissory note ("Loan Payable") in the amount of $5,109,763 with no fixed terms of repayment and an interest rate of 12% payable to Braydon Capital Corporation ("Braydon"), a company controlled by Claudio Ciavarella, an Officer, director and shareholder of Kerr. As of June 30, 2016, interest payments had not been made which was considered a default.

On August 22, 2016 Braydon agreed to waive interest owing pursuant to the Loan Payable outstanding as of June 30, 2016 totaling $1,753,292. Braydon also agreed to convert $1,500,000 of principal outstanding under the Loan Payable into 18,500,000 common shares. Braydon agreed to replace its residual debt of $3,609,763 under the Loan Payable to have a maturity date of August 22, 2019 and a revised interest rate of 8% compounded monthly, payable quarterly, with no interest accrued or payable during the first year. The balance owing includes accrued interest of $325,313 as at September 30, 2018 (June 30, 2018 - $247,020).

The Company has presented the $3,935,076 as long-term as the Company and the related party are in discussion to extend the debt to August 2020.

(Expressed in Canadian Dollars)

11. Loan payable (continued)

	September 30, 2018	**June 30, 2018**
Loan Payable	**$ 3,609,763**	$ 3,609,763
Accrued interest	**325,313**	247,020
Total	**$ 3,935,076**	$ 3,856,783

12. Decommissioning liabilities

The Company's decommissioning liabilities relates to the cost of removing and restoring of the McGarry property in the Township of McGarry and the Copperstone Mine in La Paz County, Arizona. Significant reclamation and closure activities include land rehabilitation, demolition of buildings and mine facilities, ongoing care and maintenance and other costs. This estimate depends on the development of environmentally acceptable mine closure plans.

A continuity for asset retirement obligations is as follows:

Asset Retirement Obligation	**Bear Lake (1)**	**McGarry (2)**	**Copperstone (3)**	**Total**
Balance, June 30, 2017	$ 53,060	$ 476,778	$ 2,161,431	$ 2,691,269
Accretion expense for the year	-	-	36,337	36,337
Disposals	(53,060)	-	-	(53,060)
Foreign exchange differences	-	-	(23,689)	(23,689)
Classified as liability directly associated with assets held for sale	-	(476,778)	-	(476,778)
Balance, June 30, 2018	-	-	2,174,079	2,174,079
Accretion expense for the year	-	-	12,797	12,797
Foreign exchange differences	-	-	(36,940)	(36,940)
Balance, September 30, 2018	$ -	$ -	$ 2,149,936	$ 2,149,936

(1) Bear Lake

The Company had a cash deposit of $53,060 (including accumulated interest) (note 4) with the Ministry of Northern Development and Mines of the province of Ontario (“MNDM”) to cover a portion of the decommission liability related to the Bear Lake property. The property was sold in 2016, and the liability has been released in 2018.

(2) McGarry:

The decommissioning liability related to McGarry was estimated to be $476,778 to which the Company has provided a letter of credit as disclosed in (note 20) and is secured by GIC investment (note 4). This liability has been reclassified as liabilities directly associated with assets held for sale (note 3).

(3) Copperstone:

The mine closure provision liability is based upon numerous estimates and assumptions, as follows:

i) Total undiscounted amount of future retirement costs was estimated to be US$1,764,096 (Cdn$2,149,936) to which the Company has provided cash collateral as disclosed in (note 20).
ii) Risk-free rate at 2.12%.
iii) Expected timing of cash outflows required to settle the obligation is for the full amount to be paid in 2021.
iv) Inflation over the period up to 2021 was estimated to be 1.62% per annum.

(Expressed in Canadian Dollars)

13. Share capital

a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

	Number of common shares	Amount
Balance, June 30, 2017	226,609,403	$132,264,928
Units issued on private placement (i)	8,803,896	1,584,701
Value allocated to warrant (i)	-	(573,900)
Balance, September 30, 2017	235,413,299	$133,275,729
Balance, June 30, 2018 and September 30, 2018	255,785,168	$139,366,531

(i) On July 10, 2017 the Company closed the final tranche of a non-brokered private placement, by issuing 8,803,896 units for gross proceeds of $1,584,701. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of $0.27 per share for a period of 24 months from the date of issuance, provided, that if, at any time the common shares trade at a volume weighted average trading price of $0.40, or greater, per share for a period of 20 consecutive trading days. The Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company. The fair value of the 4,401,948 share purchase warrants was estimated at $573,900 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.47%; volatility 106% and an expected life of 24 months.

14. Stock options

The purpose of the Company's stock option plan is to provide incentives to directors, officers, employees and consultants of the Company. The maximum number of common shares reserved for issuance upon exercise of the options is 10% of issued and outstanding shares. The Board of Directors may designate the recipients of options and determine the number of common shares covered by each option, its exercise price (which may not be less than closing market price of the common shares on the trading day prior to the grant) and its expiry date. The term of the options shall not exceed five years from the date of grant.

Option pricing models require the input of highly subjective assumptions noted above. Changes in the subjective input assumptions can materially affect the fair value estimate.

(Expressed in Canadian Dollars)

14. Stock options (continued)

The following table reflects the continuity of stock options for the three months ended September 30, 2018 and September 30, 2017:

	Number of stock options	Weighted average exercise price
Balance, June 30, 2017	4,000,000	$ 0.19
Issued [i]	3,880,000	0.22
Balance, September 30, 2017	7,880,000	$ 0.20
Balance, June 30, 2018 and September 30, 2018	9,880,000	$ 0.22

[i] On August 23, 2017 the Company issued 3,880,000 stock options to certain directors and officers of the Company with an exercise price of $0.22. The options vest immediately. The fair value of these options at the date of grant of $693,498 was assigned to the stock options as estimated by using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of $0.22; 115% expected volatility; risk free interest rate of 1.00%; and an expected dividend yield of 0%. For the three months ended September 30, 2018, $nil, was expensed to option-based payments (three months ended September 30, 2017 - $334,808)

The following table reflects the actual stock options issued and outstanding as of September 30, 2018:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
May 2, 2022	0.19	3.59	4,000,000	2,500,000
August 23, 2022	0.22	3.90	3,880,000	3,880,000
January 12, 2023	0.30	4.29	2,000,000	2,000,000
	0.22	3.85	9,880,000	8,380,000

15. Warrants

The following table reflects the continuity of warrants for the three months ended September 30, 2018 and September 30, 2017:

	Number of warrants	Amount
Balance, June 30, 2017	17,820,269	$ 0.27
Issued (note 13(b)(i))	4,401,948	0.27
Balance, September 30, 2017, June 30, 2018 and September 30, 2018	**22,222,217**	**$ 0.27**

(Expressed in Canadian Dollars)

15. Warrants (continued)

The following table reflects the actual warrants issued as of September 30, 2018:

Number of warrants outstanding	Grant date fair value ($)	Exercise price ($)	Expiry date
17,820,269	2,379,100	0.27	June 29, 2019
4,401,948	320,810	0.27	July 10, 2019
22,222,217	2,699,910	0.27	

16. Exploration and Evaluation Expenditures

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
McGarry property	**$ (29,918)**	$ -
Copperstone property	**944,114**	2,049,820
	$ 914,196	$ 2,049,820

17. Net gain on settlement of debts

During the three months ended September 30, 2017, the Company entered into debt settlement and deferral agreements with various creditors and debt holders that resulted in a net gain on debt settlements of $nil for three months ended September 30, 2018, (three months ended September 30, 2017 - $1,062,651), representing the discount from the face value of the debt.

18. Loss per share

For the three months ended September 30, 2018, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $1,179,153 (three months ended September 30, 2017 - loss of $2,917,360) and the weighted average number of common shares outstanding of 255,785,168 (three months ended September 30, 2017 - 235,413,299) for basic and diluted loss per share. Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

19. Related party transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The noted transactions below are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

(Expressed in Canadian Dollars)

19. Related party transactions (continued)

(a) Loans from related parties

The Company has entered into a series of financial transactions with related parties as detailed below.

		September 30, 2018				
Loans from related parties		**Officers**		**Directors**		**Total**
Promissory note payables (note 9)	$	1,090,121	$	1,090,121	$	2,180,242
Convertible promissory note payables (note 10)				4,201,357		4,201,357
Derivative financial liabilities (note 10)				397,043		397,043
Loan payable (note 11)		3,935,076				3,935,076
Total	**$**	**5,025,197**	**$**	**5,688,521**	**$**	**10,713,718**

		June 30, 2018				
Loans from related parties		**Officers**		**Directors**		**Total**
Promissory note payables (note 9)	$	1,068,431	$	1,068,431	$	2,136,862
Convertible promissory note payables (note 10)			$	4,194,119	$	4,194,119
Derivative financial liabilities (note 10)			$	208,739	$	208,739
Loan payable (note 11)	$	3,856,783			$	3,856,783
Total	$	4,925,214	$	5,471,289	$	10,396,503

(b) The Company entered into the following transactions with related parties:

			Three Months Ended September 30,		
			2019		**2018**
Marrelli Group	(i)	**$**	**8,138**	$	-
Silvergate Consulting	(ii)		**30,000**		20,000
Braydon Capital Corporation ("Braydon")	(iii)		**99,979**		30,732
Trans Oceanic Minerals Corporation ("TOMC")	(iv)		**104,185**		34,987

i) During the three months ended September 30, 2018 the Company paid professional fees and disbursements of $8,138, (three months ended September 30, 2017 - $nil) to Marrelli Support Services Inc., DSA Corporate Services Inc. and DSA Filling Services Limited, together known as the "Marrelli Group", for:

- Carmelo Marrelli, President of Marrelli Group, to act as the Chief Financial Officer (“CFO”) of the Company;
- Bookkeeping services;
- Regulatory filing services; and
- Corporate secretarial services.

These services were incurred in the normal course of operations for general accounting and financial reporting matters. As at September 30, 2018, the Marrelli Group was owed $7,202 (June 30, 2018 - $7,700).

ii) During the three months ended September 30, 2018 the Company expensed consulting fees to Silvergate Consulting, a company controlled by a director of the Company, to provide capital markets and investor relations services to the Company. The amounts paid or accrued to the firm relating to the services provided in the normal course of business for the three months ended September 30, 2018, $30,000, (three months ended September 30, 2017 - $20,000). As at September 30, 2018, the company was owed $90,000 (June 30, 2018 - $60,000).

(Expressed in Canadian Dollars)

19. Related party transactions (continued)

(b) Transactions (continued)

iii) During the three months ended September 30, 2018 the Company accrued interest to Braydon for the promissory note payables (note 9) and loan payable (note 11).

iv) During the three months ended September 30, 2018 the Company accrued interest to TOMC for the promissory note payables (note 9) and convertible promissory notes payable (note 10)

(c) Remuneration of directors and key management personnel, other than consulting fees, of the Company was as follows:

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Salaries and benefits	**$ 73,519**	$ 115,942
Stock-based compensation	**24,466**	314,832
	$ 97,985	$ 430,774

The directors do not have employment or service contracts with the Company. Directors are entitled to director fees and stock options for their services.

20. Commitments and contingencies

(a) Jubilee Gold Inc., the royalty holder on the McGarry property, is entitled to the greater of:
- (i) a Net Smelter Return royalty of a percentage of the price per troy ounce as follows:
  2% when less than US$500
  3% when greater than US$500 and less than US$800
  4% when greater than US$800;
- (ii) $1.00 per short ton of ore derived from the properties;

Balance, June 30, 2016	$ 953,916
Advance royalty payable	52,959
Settlement of debt	(1,006,875)
Balance, June 30, 2017 June 30, 2018 and September 30, 2018	$ -

(b) The Company had a letter of credit outstanding as at September 30, 2018 in the amount of $nil (June 30, 2018 - $457,405) which is supported by the restricted investments (note 4). This was transferred with the sale of the property (note 3).

(c) The Company has placed a surety bond of an insurance company in connection with the Copperstone Property as required by the US Bureau of Land Management. Cash collateral of $1,056,289 (US$816,000) is held with the Bank of New York in the name of the Company in a short term cashable account.

(d) The activities of the Company are subject to environmental laws and regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, endangered species and reclamation of lands disturbed by mining operations. The Company believes it complies with all laws and regulations which currently apply to its activities.

(Expressed in Canadian Dollars)

21. Segmented information

As at September 30, 2018, the Company's operations comprises of a mineral exploration and development project in La Paz County, Arizona ("USA") which also represent geographical location, a a head office in Toronto, Canada.

Three Months Ended September 30, 2018

	Canada	USA	Total
Revenues	$ -	$ -	$ -
Net loss	$ (90,474)	$ (1,088,679)	$ (1,179,153)

Three Months Ended September 30, 2017

	Canada	USA	Total
Revenues	$ -	$ -	$ -
Net income (loss)	$ 1,829,363	$ (4,746,723)	$ (2,917,360)

As at September 30, 2018

	Canada	USA	Total
Total assets	$ 599,894	$ 18,412,496	$ 19,012,390
Non-current assets	$ 599,894	$ 17,441,158	$ 18,041,052

As at June 30, 2018

	Canada	USA	Total
Total assets	$ 1,811,519	$ 18,586,550	$ 20,398,069
Non-current assets	$ 457,405	$ 18,339,519	$ 18,796,924

22. Subsequent events

i) On November 6, 2018, the Company announced it has received investment committee approval from and executed a term sheet with Sprott Private Resource Lending (Collector) LP ("Sprott"), setting out the indicative terms upon which Sprott is prepared, subject to certain conditions including satisfactory due diligence, to provide up to US$25 million of senior secured project financing (the "Financing Package") to fund the development and production of gold at the Copperstone Mine.

The Highlights of the Financing Package include:

- US$2 million senior redeemable convertible note with an 9% coupon repayable 18 months after closing;
- US$2 million senior gold loan facility repayable 18 months after closing;
- US$21 million senior project loan facility repayable 48 months after closing;
- The Company will also raise US$2 million in equity as working capital

In order to align with the Company's current strategic and development plans for the Copperstone Mine, the proposed financing has been structured to be completed and advanced in two main phases, an initial phase of US$4 million ("Phase 1"), which is targeted to be completed on or about November 23, 2018 subject to mutually satisfactory documentation and other customer conditions precedent; and a second phase of US$21 million which is targeted to be completed on or about June 30, 2019 ("Phase 2").

The Financing Package is expected to provide the necessary capital to complete the funding of the capital expenditures required to bring the Copperstone Mine back into production.The Company ended discussions with Pandion Mine Finance LP.

22. Subsequent events

ii) On November 9, 2018, the Company announced that it intends to complete a private placement offering of approximately 17,857,143 units of the Company at a price of $0.14 for gross proceeds of $2.5 million (the "Offering"). The Company will use the net proceeds from the Offering along with the funding from the financing facility provided by Sprott Resource Lending to fund the resource expansion, engineering and development at the Copperstone Mine.

The Offering is scheduled to close on or about November 23, 2018 and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the Toronto Stock Exchange ("TSX"). Each Unit shall consist of one common share of the Company (a “Common Share”) and one Common Share purchase warrant (a “Warrant”). All securities issued pursuant to the Offering shall be subject to a hold period of four months from the date of closing. Each Warrant shall entitle the holder thereof to purchase one Common Share at a price of CDN$0.21 per Common Share for a period of twenty-four (24) months from the Closing Date provided that if, at any time the Common Shares trade on a stock exchange at a volume weighted average trading price of CDN$0.30, or greater, per Common Share for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company.