KERR MINES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2019

(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, 2019	As at June 30, 2019
ASSETS		
Current assets		
Cash	**$ 69,522**	$ 446,477
Marketable securities	**2,519**	2,519
Accounts receivable (note 4)	**10,976**	220,613
Prepaid expenses and other assets	**250,462**	193,301
Total current assets	**333,479**	862,910
Non-current assets		
Restricted investments (note 3)	**1,080,605**	1,067,876
Property, plant and equipment (note 5)	**9,281,077**	9,263,891
Mining properties (note 6)	**7,270,465**	7,270,465
Total assets	**$ 17,965,626**	$ 18,465,142
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	**$ 654,018**	$ 697,666
Convertible promissory notes payable (note 9)	**1,899,704**	-
Derivative in convertible promissory note payable (note 10)	**136,276**	-
Total current liabilities	**2,689,998**	697,666
Non-current liabilities		
Promissory notes payable (note 8)	**6,622,884**	6,491,113
Convertible promissory notes payable (note 9)	**4,710,760**	7,021,663
Derivative financial liabilities (note 10)	**230,218**	430,295
Deferred tax liabilities	**40,772**	40,772
Decommissioning liabilities (note 11)	**2,298,211**	2,271,222
Total liabilities	**16,592,843**	16,952,731
Equity		
Share capital (note 12)	**143,282,481**	141,743,418
Contributed surplus	**13,385,364**	13,064,554
Warrant reserve (note 14)	**1,081,855**	1,402,665
Share-based payments reserve (note 13)	**1,808,600**	2,017,768
Accumulated other comprehensive income	**496,870**	594,297
Deficit	**(158,682,387)**	(157,310,291)
Total equity	**1,372,783**	1,512,411
Total liabilities and equity	**$ 17,965,626**	$ 18,465,142

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 18)
Subsequent events (note 20)

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, 2019	Three Months Ended September 30, 2018
Operating expenses		
Exploration and evaluation expenditures (note 15)	**$ 565,830**	$ 914,196
General and administrative	**4,705**	10,485
Depreciation (note 5)	**92,968**	112,084
Salaries and benefits	**1,505**	2,134
Consulting fees (note 17)	**96,635**	38,495
Professional fees	**24,050**	14,402
Promotion and travel	**18,176**	-
Shareholder relations	**30,327**	40,686
	(834,196)	(1,132,482)
Gain on disposal of other assets	**-**	525,272
Unrealized loss on marketable securities	**-**	(42,202)
Finance charges	**(286,209)**	(207,602)
Net loss on settlement of interest payable	**(20,779)**	-
Loss on revaluation of derivative liability	**(80,828)**	(222,626)
Loss on converting of convertible debt	**(249,083)**	-
Interest and other revenue	**363**	3,615
(Gain) Loss on foreign exchange	**107,268**	(78,662)
Share-based payments (note 13)	**(8,632)**	(24,466)
Net loss for the period	**$ (1,372,096)**	$ (1,179,153)
Other comprehensive income (loss)		
Foreign exchange difference	**$ (97,427)**	$ 28,520
Other comprehensive income (loss) for the period	**$ (97,427)**	$ 28,520
Total comprehensive loss for the period	**$ (1,469,523)**	$ (1,150,633)
Basic and diluted net loss per share (note 16)	**$ (0.00)**	$ (0.00)
Weighted average number of common shares outstanding	**283,552,220**	255,785,168

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, 2019	Three Months Ended September 30, 2018
Operating activities		
Net loss for the period	**$ (1,372,096)**	$ (1,179,153)
Adjustments for:		
Depreciation	**92,968**	112,084
Share-based payments	**8,632**	24,466
Accretion expenses	**79,028**	222,626
Unrealized loss on marketable securities	**-**	42,202
Accrued interest	**279,743**	-
Net loss on settlement of interest payable	**20,779**	-
Loss on revaluation of derivative liability	**-**	204,167
Change in decommission liability	**(5,815)**	-
Foreign exchange	**(109,505)**	81,180
(Gain) on disposal of other assets	**-**	(544,645)
Loss on converting of convertible debt	**245,483**	-
Changes in non-cash working capital items:		
Accounts receivable	**209,637**	209,569
Prepaid expenses and other assets	**106,048**	17,767
Accounts payable and accrued liabilities	**(43,648)**	(75,804)
Net cash used in operating activities	**(488,746)**	(885,541)
Financing activities		
Options exercised	**111,791**	-
Net cash provided by financing activities	**111,791**	-
Net change in cash	**(376,955)**	(885,541)
Cash, beginning of period	**446,477**	1,035,247
Cash, end of period	**$ 69,522**	$ 149,706
Supplementary cash flow information:		

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, 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**
Balance, June 30, 2019	**$141,743,418**	**$ 13,064,554**	**$ 2,017,768**	**$ 1,402,665**	**$ 594,297**	**$(157,310,291)**	**$ 1,512,411**
Shares issued for interest	137,594	-	-	-	-	-	137,594
Converting of convertible debt	908,669	-	-	-	-	-	908,669
Warrants expired	-	320,810	-	(320,810)	-	-	-
Stock-options exercised	492,800	-	(217,800)	-	-	-	275,000
Share-based payments	-	-	8,632	-	-	-	8,632
Net loss and comprehensive loss for the period	-	-	-	-	(97,427)	(1,372,096)	(1,469,523)
Balance, September 30, 2019	**$143,282,481**	**$ 13,385,364**	**$ 1,808,600**	**$ 1,081,855**	**$ 496,870**	**$(158,682,387)**	**$ 1,372,783**

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 ("Copperstone") 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, 2019, the Company had working capital deficiency of $2,356,519 (June 30, 2019 – working capital of $165,244). The Company has incurred losses in previous periods and has not yet achieved profitable operations, with a current loss of $1,372,096 for three months ended September 30, 2019 (three months ended September 30, 2018 - loss of $1,179,153) and has an accumulated deficit of $158,682,387 as at September 30, 2019, (June 30, 2019 - $157,310,291), 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, 2019, 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 13, 2019, 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, 2019, 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, 2020 could result in restatement of these unaudited condensed interim consolidated financial statements.

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

New standards adopted

Leases (“IFRS 16”)

IFRS 16 was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. The application of the new standard had no impact on the unaudited condensed interim consolidated financial statements as at September 30, 2019.

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.

3. Restricted investments

	As at September 30, 2019	As at June 30, 2019
Restricted investments		
Short-term cashable account [1]	**1,080,605**	1,067,876
Total	**$ 1,080,605**	$ 1,067,876

[1] Pursuant to the term of the surety bond disclosed in (note 18) the Company provided cash collateral of $1,080,605 or US$816,000 (June 30, 2019 - $1,067,876 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 6).

4. Accounts receivable

	As at September 30, 2019	As at June 30, 2019
HST receivable	**$ 8,957**	$ 16,581
Other receivables	**2,019**	204,032
Total	**$ 10,976**	$ 220,613

The other receivables are mainly the receivable from the disposal of Orefinders and PowerOre to a related party and has been fully received in July 2019.

(Expressed in Canadian Dollars)

5. Property, plant and equipment

Cost	Buildings	Mine and mill equipment	Surface vehicles	Computer equipment	Mill	Total
Balance, June 30, 2018	$ 2,552,059	$ 560,925	$ 1,554,096	$ 61,495	$ 5,722,287	$ 10,450,862
Disposals	-	-	(406,329)	-	-	(406,329)
Foreign exchange differences	80,598	(94,850)	229,083	(378)	(221,395)	(6,942)
Balance, June 30, 2019	2,632,657	466,075	1,376,850	61,117	5,500,892	10,037,591
Foreign exchange differences	31,382	5,555	16,412	729	65,572	119,650
Balance, September 30, 2019	$ 2,664,039	$ 471,630	$ 1,393,262	$ 61,846	$ 5,566,464	$ 10,157,241

Accumulated depreciation	Buildings	Mine and mill equipment	Surface vehicles	Computer equipment	Mill	Total
Balance, June 30, 2018	$ -	$ 134,196	$ 260,602	$ 61,495	$ -	$ 456,293
Depreciation for the year	-	94,279	359,787	-	-	454,066
Disposals	-	-	(144,776)	-	-	(144,776)
Foreign exchange differences	-	3,011	5,484	(378)	-	8,117
Balance, June 30, 2019	-	231,486	481,097	61,117	-	773,700
Depreciation for the period	-	23,511	69,457	-	-	92,968
Foreign exchange differences	-	2,828	5,939	729	-	9,496
Balance, September 30, 2019	$ -	$ 257,825	$ 556,493	$ 61,846	$ -	$ 876,164

Carrying value	Buildings	Mine and mill equipment	Surface vehicles	Computer equipment	Mill	Total
Balance, June 30, 2019	$ 2,632,657	$ 234,589	$ 895,753	$ -	$ 5,500,892	$ 9,263,891
Balance, September 30, 2019	$ 2,664,039	$ 213,805	$ 836,769	$ -	$ 5,566,464	$ 9,281,077

6. Mineral properties

The Company is engaged in exploring and developing the Copperstone gold property 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 US$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, 2019, 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.

(Expressed in Canadian Dollars)

7. Accounts payable and accrued liabilities

		As at September 30, 2019		As at June 30, 2019
Trade payables	$	**477,431**	$	319,942
Accrued liabilities		**176,344**		377,516
Payroll liabilities		**243**		208
Total	$	**654,018**	$	697,666

8. Promissory notes payable

		Promissory note (1)		Promissory note (2)		Total
Balance, June 30, 2018	$	**3,856,783**	$	**2,136,863**	$	**5,993,646**
Accrued interest		320,110		177,357		497,467
Balance, June 30, 2019		4,176,893		2,314,220		6,491,113
Accrued interest		84,792		46,979		131,771
Balance, September 30, 2019	$	**4,261,685**	$	**2,361,199**	$	**6,622,884**

1) The promissory note with principal of $3,609,763 is payable to Braydon Capital Corporation (“Braydon”), a company controlled by Claudio Ciavarella, an Officer, a director and shareholder of Kerr. The promissory note bears interest rate of 8% beginning in September 2017 and has a maturity date of August 22, 2020. Subsequent to the three months ended September 30, 2019, the maturity date was extended to January 20, 2021 (see note 20(ii)).
2) Braydon Capital Corporation and Trans Oceanic Minerals Corporation Ltd. each provided promissory notes of $1,000,000 to the Company, bearing interest at 8% beginning in September 2017 and having a maturity date of August 22, 2020. The notes are secured by a general security agreement in the Copperstone Mine. Subsequent to the three months ended September 30, 2019, the maturity date was extended to January 20, 2021 (see note 20(ii)).

9. 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 had a maturity date of August 22, 2019, interest rate of 8% per annum, compounded monthly and payable quarterly. 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. On November 28, 2018, the convertible promissory note was amended by extending the maturity date from August 22, 2019 to August 22, 2020. Subsequent to the three months ended September 30, 2019, the maturity date was extended to January 20, 2021 (see note 20(ii)).

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 had 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.

9. Convertible promissory notes payable (continued)

Kerr debenture II (continued)

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 feature was classified as derivative financial liabilities instead of an equity instrument. The Company separated the convertible promissory notes payable into two components, with the debentures carried at amortized cost, and the conversion feature carried at fair value.

On November 28, 2018, the convertible promissory note was amended by extending the maturity date from August 22, 2019 to August 22, 2020. As a result, the Company extinguished these two convertible promissory notes when they were amended on November 28, 2018 and treated them as two new convertible promissory notes with a maturity date of August 22, 2020. The Company calculated the fair value of the conversion feature and re-allocated the convertible promissory note payables into two components, with the debentures carried at amortized cost, and the conversion feature carried at fair value. Subsequent to the three months ended September 30, 2019, the maturity date was extended to January 20, 2021 (see note 20(ii)).

Sprott convertible note

On November 6, 2018, the Company 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 (the "Note") with an 9% coupon repayable 18 months after closing (received of which US$500,000 was converted at $0.16 for 4,130,313 commons shares);
- US$2 million senior gold loan facility repayable 18 months after closing (target completion on or about June 30, 2019 (“Phase 2”));
- US$21 million senior project loan facility repayable 48 months after closing;
- The Company will raise US$2 million in equity as working capital.

On November 28, 2018, the Company closed the US$2 million (CDN$2.7 million) Sprott Note financing. The Sprott Note is convertible into Common Shares at any time prior to maturity at a conversion price of CDN$0.16 per share. The Corporation can redeem the Sprott Note at any time by paying the outstanding principal amount in cash, or with the agreement of the holder, in common shares of the Corporation, together with interest payable to maturity. In connection with the Sprott Note, the Corporation issued to Sprott one million common share purchase warrants entitling the holder to purchase one common share at a price of CDN$0.15 until November 27, 2021, subject to acceleration.

In connection with the Sprott Note, on November 28, 2018 the Company completed a non-brokered private placement of 21,239,409 units at a price of $0.14 per unit for gross proceeds of $2,973,517. The offering, initially announced on November 9, 2018 and targeting proceeds of $2.5 million, was oversubscribed.

The Company remains in discussion with Sprott regarding the balance of the Sprott Project Financing Package as it continues with its Resource Expansion Program and project optimization studies regarding the Copperstone Project. Any further financing from Sprott under the Sprott Project Financing Package or otherwise will be subject to the Company meeting prescribed project milestones set forth in the term sheet and additional conditions that may be prescribed if the financing moves forward.

9. Convertible promissory notes payable (continued)

Sprott convertible note (continued)

Resulting from the Company's internal optimization study which reflects a further reduction in the required project capital for the re-start of the Copperstone mine the Company continues to consider other potential sources of project financing that would further enhance project economics by reducing the effective cost of capital.

Since the Sprott note is denominated in US dollar but is convertible into common shares based upon a Canadian dollar conversion rate, the fixed for fixed criteria is not met. As such, the conversion feature was classified as a financial derivative liability instead of an equity instrument. The warrants met the fixed for fixed criteria and was classified as an equity instrument. On the initial recognition, the face value of $2,660,400 were separated into three components. The Company calculated the fair value of the liability component as $2,553,722 using a discount rate of 12%, and the residual amount of $106,678 being the fair value of the equity (warrants). The fair value of the financial derivative liability (conversion feature) was estimated at $129,895 by using Black-Scholes pricing model with the assumptions; dividend yield 0%; risk free interest 2.19%; volatility 103.25% and an expected life of 18 months.

Transaction costs of $151,148 were allocated to the debt components, equity components and derivative liability components in proportion to the allocation of the proceeds on initial recognition. Transaction cost $6,061 was allocated to equity component, and was accounted for as a deduction from equity; $7,380 was allocated to the derivative financial liability component and was expensed; and $137,701 was allocated to the debt component and was offset against the carrying amount of the debt and included in the determination of the accretion expenses. $163,375 accretion expenses were included in finance charges.

The following table summarizes the debt component:

	Kerr debenture I	Kerr debenture II	Sprott note	Total
Balance, June 30, 2018	**$ 2,887,661**	**$ 1,306,458**	**$ -**	**$ 4,194,119**
Issue of convertible debt	-	-	2,660,400	2,660,400
Less transaction cost	-	-	(151,148)	(151,148)
Less fair value on convertible feature	(33,594)	(105,139)	(129,895)	(268,628)
Less fair value of detachable warrants	-	-	(72,347)	(72,347)
Accrued interest	243,969	117,162	118,569	479,700
Accretion expenses	13,064	141,340	163,375	317,779
Foreign exchange difference	(16,979)	(9,762)	(111,471)	(138,212)
Balance, June 30, 2019	3,094,121	1,450,059	2,477,483	7,021,663
Converting of loan	-	-	(662,650)	(662,650)
Interest paid	-	-	(116,815)	(116,815)
Accrued interest	63,724	31,016	53,232	147,972
Accretion expense	4,799	15,020	116,596	136,415
Foreign exchange difference	33,879	18,142	31,858	83,879
Balance, September 30, 2019	**$ 3,196,523**	**$ 1,514,237**	**$ 1,899,704**	**$ 6,610,464**
Components of convertible promissory notes payable:				
Current	$ -	$ -	$ 1,899,704	$ 1,899,704
Long term (see note 20(ii))	$ 3,196,523	$ 1,514,237	$ -	$ 4,710,760
Total balance	**$ 3,196,523**	**$ 1,514,237**	**$ 1,899,704**	**$ 6,610,464**

(Expressed in Canadian Dollars)

10. Derivative financial liabilities

The following table summarizes the derivative financial liabilities (note 9):

	Kerr debenture I	Kerr debenture II	Sprott note	Total
Balance, June 30, 2018	**$ -**	**$ 208,739**	**$ -**	**$ 208,739**
Fair value adjustment	-	(208,739)	-	(208,739)
Derivative financial liabilities on initial	33,594	105,139	129,895	268,628
Fair value adjustment	4,745	71,758	85,164	161,667
Balance, June 30, 2019	38,339	176,897	215,059	430,295
Fair value adjustment	(31,183)	46,165	(19,999)	(5,017)
Fair value adjustment	-	-	(58,784)	(58,784)
Balance, September 30, 2019	**$ 7,156**	**$ 223,062**	**$ 136,276**	**$ 366,494**
Components of derivative financial liabilities:				
Current	$ -	$ -	$ 136,276	$ 136,276
Long term (see note 20(ii))	$ 7,156	$ 223,062	$ -	$ 230,218
Total Balance	**$ 7,156**	**$ 223,062**	**$ 136,276**	**$ 366,494**

11. 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	Copperstone (1)	Total
Balance, June 30, 2018	**$ 2,174,079**	**$ 2,174,079**
Accretion expense for the year	30,792	30,792
Foreign exchange differences	(13,722)	(13,722)
Adjustment	80,073	80,073
Balance, June 30, 2019	2,271,222	2,271,222
Accretion expense for the year	5,878	5,878
Foreign exchange differences	26,926	26,926
Adjustment	(5,815)	(5,815)
Balance, September 30, 2019	**$ 2,298,211**	**$ 2,298,211**

(1) 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$1,734,214 (Cdn$2,298,211) to which the Company has provided cash collateral as disclosed in (note 18).
ii) Risk-free rate at 1.38%.
iii) Expected timing of cash outflows required to settle the obligation is for the full amount to be paid in 2022.
iv) Inflation over the period up to 2022 was estimated to be 1.59% per annum.

(Expressed in Canadian Dollars)

12. 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, 2018 and September 30, 2018	**255,785,168**	**$139,366,531**
Balance, September 30, 2018	255,785,168	$139,366,531
Balance, June 30, 2019	280,374,577	$141,743,418
Shares issued for interest (i)	724,177	137,594
Conversion of promissory note (ii)	4,130,313	908,669
Options exercised	2,200,000	492,800
Balance, September 30, 2019	**287,429,067**	**$143,282,481**

(i) On July 2, 2019, the Company issued 724,177 shares to Sprott for semi-annually interest payment.

(ii) On August 6, 2019, Sprott elected to convert an amount of US$500,000 into 4,130,313 common shares of the Company.

13. 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.

The following table reflects the continuity of stock options for the three months ended September 30, 2019 and September 30, 2018:

	Number of stock options	Weighted average exercise price
Balance, June 30, 2018 and September 30, 2018	**9,880,000**	**$ 0.220**
Balance, June 30, 2019	13,000,000	$ 0.200
Exercised	(2,200,000)	0.125
Balance, September 30, 2019	**10,800,000**	**$ 0.210**

(Expressed in Canadian Dollars)

13. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of September 30, 2019:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
May 2, 2022	0.19	2.59	4,000,000	2,500,000
August 23, 2022	0.22	2.90	3,000,000	3,000,000
January 12, 2023	0.30	3.29	2,000,000	2,000,000
November 28, 2023	0.13	4.16	500,000	200,000
January 29, 2024	0.14	4.33	500,000	500,000
April 15, 2024	0.125	4.55	800,000	800,000
	0.21	3.10	10,800,000	9,000,000

14. Warrants

The following table reflects the continuity of warrants for the three months ended September 30, 2019 and September 30, 2018:

	Number of warrants	Amount
Balance, June 30, 2018 and September 30, 2018	22,222,217	$ 0.27
Balance, June 30, 2019	29,991,357	$ 0.22
Expired	(4,401,948)	(0.27)
Balance, September 30, 2019	**25,589,409**	**$ 0.21**

The following table reflects the actual warrants issued as of September 30, 2019:

Number of warrants outstanding	Grant date fair value ($)	Exercise price ($)	Expiry date
21,239,409	869,826	0.21	November 27, 2020
3,350,000	139,682	0.21	June 29, 2019
1,000,000	72,347	0.16	November 27, 2021
25,589,409	1,081,855	0.21	

15. Exploration and Evaluation Expenditures

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018
McGarry property	**$ -**	$ (29,918)
Copperstone property	**565,830**	944,114
	$ 565,830	$ 914,196

(Expressed in Canadian Dollars)

16. Loss per share

For the three months ended September 30, 2019, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $1,372,096 (three months ended September 30, 2018 - $1,179,153) and the weighted average number of common shares outstanding of 283,552,220 (three months ended September 30, 2018 - 255,785,168) 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.

17. 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.

(a) Loans from related parties

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

	September 30, 2019	
Loans from related parties	**Directors**	**Total**
Promissory note payables (note 8)	$ 6,622,884	$ 6,622,884
Convertible promissory note payables (note 9)	4,710,760	4,710,760
Derivative financial liabilities (note 9)	230,218	230,218
Total	**$ 11,563,862**	**$ 11,563,862**

	June 30, 2019	
Loans from related parties	**Directors**	**Total**
Promissory note payables (note 8)	$ 6,491,113	$ 6,491,113
Convertible promissory note payables (note 9)	4,194,119	4,194,119
Derivative financial liabilities (note 9)	208,739	208,739
Total	$ 10,893,971	$ 10,893,971

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

		Three Months Ended September 30,	
		2019	**2018**
Marrelli Group	(i)	**$ 12,849**	$ 8,138
Peterson McVicar LLP ("Peterson")	(ii)	**10,205**	-
Silvergate Consulting	(iii)	**-**	30,000
Braydon Capital Corporation ("Braydon")	(iv)	**108,281**	99,979
Trans Oceanic Minerals Corporation ("TOMC")	(v)	**102,721**	104,185

(Expressed in Canadian Dollars)

17. Related party transactions (continued)

(b) Transactions (continued)

i) During the three months ended September 30, 2019 the Company paid professional fees and disbursements of $12,849, (three months ended September 30, 2018 - $8,138) to Marrelli Support Services Inc., DSA Corporate Services Inc.,DSA Filling Services Limited and Marrelli Press Release Services, 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;
- Corporate secretarial services, and
- Press release services.

These services were incurred in the normal course of operations for general accounting and financial reporting matters. As at September 30, 2019, the Marrelli Group was owed $15,519 (June 30, 2019 - $11,235).

ii) A director is a partner in a legal firm that provided legal services to the Company. The amounts paid or accrued to the firm relating to services provided in the normal course during the three months ended September 30, 2019 was $10,205 (three months ended September 30, 2018 - $nil). The amounts owing to the firm as at September 30, 2019 was $22,556 (June 30, 2019 - $13,311).

iii) During the three months ended September 30, 2019 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, 2019, $nil, (three months ended September 30, 2018 - $30,000).

iv) During the three months ended September 30, 2019, the Company accrued interest to Braydon for the promissory notes payables (note 8).

v) During the three months ended September 30, 2019, the Company accrued interest to TOMC for the promissory notes payables (note 8) and convertible promissory notes payable (note 9)

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

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018
Salaries and benefits	**$ 74,273**	$ 73,519
Consulting fee	**87,500**	-
Stock-based compensation	**6,382**	24,466
	$ 168,155	$ 97,985

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

(Expressed in Canadian Dollars)

18. Commitments and contingencies

a) 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 $1,080,605 (US$816,000) is held with the Bank of New York in the name of the Company in a short term cashable account.
b) 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.

19. Segmented information

As at September 30, 2019, the Company's operations comprises of a mineral exploration and development project in La Paz County, Arizona ("USA") which also represent geographical location, a head office in Toronto, Canada.

Three Months Ended September 30, 2019

	Canada	USA	Total
Revenues	$ -	$ -	$ -
Net loss	$ (716,968)	$ (655,128)	$ (1,372,096)

Three Months Ended September 30, 2018

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

As at September 30, 2019

	Canada	USA	Total
Total assets	$ 110,363	$ 17,855,263	$ 17,965,626
Non-current assets	$ -	$ 17,632,146	$ 17,632,146

As at June 30, 2019

	Canada	USA	Total
Total assets	$ 625,552	$ 17,839,590	$ 18,465,142
Non-current assets	$ -	$ 17,602,232	$ 17,602,232

20. Subsequent events

i) On November 5, 2019, the Company granted 2,200,000 stock options a director and officer of the Company with an exercise price of $0.135 for a period of 5 years. The options vest immediately.

ii) Subsequent to September 30, 2019, on November 13, 2019, the Company amended the promissory notes payable (see note 8 above) and the Kerr debentures I and II (see note 9 above), by extending the maturity date from August 2020 to January 20, 2021.