KERR MINES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2020

(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, 2020		As at June 30, 2020
ASSETS				
Current assets				
Cash	**$**	**2,935,256**	$	378,331
Marketable securities		**2,519**		2,519
Accounts receivable (note 4)		**84,012**		63,368
Prepaid expenses and other assets		**191,568**		253,649
Total current assets		**3,213,355**		697,867
Non-current assets				
Restricted investments (note 3)		**1,122,587**		1,146,909
Property, plant and equipment (note 6)		**8,811,486**		9,078,808
Right-of-use assets (note 5)		**72,571**		83,410
Mining properties (note 7)		**7,270,465**		7,270,466
Total assets	**$**	**20,490,464**	$	18,277,460
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (note 8)	**$**	**632,881**	$	1,199,122
Convertible promissory notes payable - current portion (notes 12 and 22)		**2,580,272**		2,522,859
Derivative financial liabilities - current portion (note 13)		**107,204**		96,170
Lease liability (note 9)		**28,870**		28,988
Total current liabilities		**3,349,227**		3,847,139
Non-current liabilities				
Lease liability (note 9)		**23,006**		31,072
Other loan payable (note 10)		**208,355**		212,869
Promissory notes payable (notes 11 and 22)		**7,174,141**		7,031,402
Convertible promissory notes payable (notes 12 and 22)		**5,160,456**		5,153,264
Derivative financial liabilities (note 13)		**140,841**		112,616
Deferred tax liabilities		**35,395**		35,394
Decommissioning liabilities (note 14)		**2,477,537**		2,530,645
Total liabilities		**18,568,958**		18,954,401
Equity				
Share capital (note 15)		**149,064,489**		145,408,462
Contributed surplus		**13,457,711**		13,457,711
Share-based payments reserve (note 16)		**2,900,587**		2,900,587
Warrant reserve (note 17)		**2,611,403**		1,787,237
Accumulated other comprehensive income		**437,859**		163,870
Deficit		**(166,550,543)**		(164,394,808)
Total equity		**1,921,506**		(676,941)
Total liabilities and equity	**$**	**20,490,464**	$	18,277,460

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 events (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, 2020	Three Months Ended September 30, 2019
Operating expenses		
Exploration and evaluation expenditures	**$ 996,032**	$ 565,830
General and administrative	**8,163**	4,705
Depreciation (notes 5 and 6)	**83,750**	92,968
Salaries and benefits	**1,510**	1,505
Consulting fees (note 19)	**96,635**	96,635
Professional fees (note 19)	**52,452**	24,050
Promotion and travel	**58,220**	18,176
Shareholder relations	**112,777**	30,327
	(1,409,539)	(834,196)
Finance charges	**(309,926)**	(286,209)
Fair value adjustment of derivative financial liabilities	**(110,530)**	(80,828)
Interest and other revenue	**-**	363
Gain (loss) on foreign exchange	**(325,740)**	107,268
Share-based payments (note 16)	**-**	(8,632)
Net loss for the period	**$ (2,155,735)**	$ (1,102,234)
Other comprehensive income (loss)		
Foreign exchange difference	**273,989**	(97,427)
Other comprehensive income (loss) for the period	**273,989**	(97,427)
Total comprehensive loss for the period	**$ (1,881,746)**	$ (1,199,661)
Basic and diluted net loss per share (note 18)	**$ (0.01)**	$ (0.00)
Weighted average number of common shares outstanding	**330,143,857**	283,552,220

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, 2020	Three Months Ended September 30, 2019
Operating activities		
Net loss for the period	**$ (2,155,735)**	$ (1,102,234)
Adjustments for:		
Depreciation	**83,750**	92,968
Accretion expenses	**68,860**	79,028
Accrued interest	**306,768**	279,743
Interest on lease liability	**1,027**	-
Fair value adjustment on derivative liability	**39,259**	-
Share-based payments	**-**	8,632
Accretion expenses in decommissioning liabilities	**(1,391)**	-
Change in decommission liability	**1,809**	(5,815)
Changes in non-cash working capital items:		
Receivables	**(20,643)**	209,637
Prepaid expenses and other assets	**62,081**	106,048
Accounts payable and accrued liabilities	**(566,241)**	(43,648)
Net cash used in operating activities	**(2,180,456)**	(375,641)
Financing activities		
Issuance of common shares and warrants, net of transaction costs	**4,480,193**	-
Proceeds from options exercised	**-**	111,791
Lease payments	**(7,939)**	-
Net cash provided by financing activities	**4,472,254**	111,791
Net change in cash	**2,291,798**	(263,850)
Effect of exchange rate changes on cash	**265,127**	(113,105)
Cash, beginning of period	**378,331**	446,477
Cash, end of period	**$ 2,935,256**	$ 69,522

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					
	Shares capital	Contributed surplus	Share-based payments reserve	Warrant reserve	Accumulated other comprehensive income (loss)	Deficit	Total
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	116,815	-	-	-	-	-	116,815
Transaction cost	660,850	-	-	-	-	-	660,850
Warrants expired	-	320,810	-	(320,810)	-	-	-
Share-based payments	-	-	8,632	-	-	-	8,632
Stock-options exercised	492,888	-	(217,888)	-	-	-	275,000
Net loss and comprehensive loss for the period	-	-	-	-	(97,427)	(1,102,234)	(1,199,661)
Balance, September 30, 2019	**$143,013,971**	**$ 13,385,364**	**$ 1,808,512**	**$ 1,081,855**	**$ 496,870**	**$(158,412,525)**	**$ 1,374,047**
Balance, June 30, 2020	**$145,408,462**	**$ 13,457,711**	**$ 2,900,587**	**$ 1,787,237**	**$ 163,870**	**$(164,394,808)**	**$ (676,941)**
Units issued in placement	4,284,182	-	-	716,618	-	-	5,000,800
Share issue cost	(628,155)	-	-	107,548	-	-	(520,607)
Net loss and comprehensive income for the period	-	-	-	-	273,989	(2,155,735)	(1,881,746)
Balance, September 30, 2020	**$149,064,489**	**$ 13,457,711**	**$ 2,900,587**	**$ 2,611,403**	**$ 437,859**	**$(166,550,543)**	**$ 1,921,506**

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, 2020, the Company had working capital deficit of $135,872 (June 30, 2020 – working capital deficit of $3,149,272). The Company has incurred losses in previous periods and has not yet achieved profitable operations, with a current loss of $2,155,735 for three months ended September 30, 2020 (three months ended September 30, 2019 - loss of $1,102,234) and has an accumulated deficit of $166,550,543 as at September 30, 2020, (June 30, 2020 - $164,394,808), 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

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, 2020, 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, 2020, 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, 2020, 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, 2021 could result in restatement of these unaudited condensed interim consolidated financial statements.

New standards adopted

IFRS 3, Business Combinations ("IFRS 3")
Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

IAS 1, Presentation of Financial Statements ("IAS 1")
Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications. The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")
Amendments to IAS 8, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications. The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively.The adoption of the amendments had no impact on the Company's unaudited condensed interim consolidated financial statements.

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

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded.

(Expressed in Canadian Dollars)

3. Restricted investments

	As at September 30, 2020	As at June 30, 2020
Restricted investments		
Short-term cashable account	**$ 1,122,587**	$ 1,146,909
Total	**$ 1,122,587**	$ 1,146,909

(1) Pursuant to the term of the surety bond disclosed in (note 20) the Company provided cash collateral of $1,122,587 or US$841,583 (June 30, 2020 - $1,146,909 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).

4. Accounts receivable

	As at September 30, 2020	As at June 30, 2020
HST receivable	**$ 33,669**	$ 23,291
Other receivables	**50,343**	40,077
Total	**$ 84,012**	$ 63,368

5. Rights-of-use assets

Balance, June 30, 2020	**$ -**
Additions	108,494
Depreciation for the period	(27,391)
Foreign exchange movements	2,307
Balance, June 30, 2020	**83,410**
Depreciation for the period	(9,058)
Foreign exchange movements	(1,781)
Balance, September 30, 2020	**$ 72,571**

Mobile equipment is depreciate over 36 months.

(Expressed in Canadian Dollars)

6. Property, plant and equipment

Cost	Buildings	Mine and mill equipment	Surface vehicles	Computer equipment	Mill	Total
Balance, June 30, 2019	**$ 2,632,657**	**$ 466,075**	**$ 1,376,850**	**$ 61,117**	**$ 5,500,892**	**$ 10,037,591**
Disposals	-	-	(385,043)	-	-	(385,043)
Foreign exchange differences	108,831	19,267	51,153	2,527	227,400	409,178
Balance, June 30, 2020	**2,741,488**	**485,342**	**1,042,960**	**63,644**	**5,728,292**	**10,061,726**
Foreign exchange differences	(58,137)	(10,293)	(22,118)	-	(121,476)	(212,024)
Balance, September 30, 2020	**$ 2,683,351**	**$ 475,049**	**$ 1,020,842**	**$ 63,644**	**$ 5,606,816**	**$ 9,849,702**

Accumulated depreciation	Buildings	Mine and mill equipment	Surface vehicles	Computer equipment	Mill	Total
Balance, June 30, 2019	**$ -**	**$ 231,486**	**$ 481,097**	**$ 61,117**	**$ -**	**$ 773,700**
Depreciation for the year	-	95,632	279,500	-	-	375,132
Disposals	-	-	(200,511)	-	-	(200,511)
Foreign exchange differences	-	11,001	21,069	2,527	-	34,597
Balance, June 30, 2020	**-**	**338,119**	**581,155**	**63,644**	**-**	**982,918**
Depreciation for the period	-	23,719	50,973	-	-	74,692
Foreign exchange differences	-	(7,138)	(12,256)	-	-	(19,394)
Balance, September 30, 2020	**$ -**	**$ 354,700**	**$ 619,872**	**$ 63,644**	**$ -**	**$ 1,038,216**

Carrying value	Buildings	Mine and mill equipment	Surface vehicles	Computer equipment	Mill	Total
Balance, June 30, 2020	$ 2,741,488	$ 147,223	$ 461,805	$ -	$ 5,728,292	$ 9,078,808
Balance, September 30, 2020	**$ 2,683,351**	**$ 120,349**	**$ 400,970**	**$ -**	**$ 5,606,816**	**$ 8,811,486**

(Expressed in Canadian Dollars)

7. 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. ("TOMCL"), 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. During the period ended September 30, 2020, the Company entered into an agreement to acquire a 3% royalty from TOMCL, which will reduce the aggregate Royalty on the Copperstone Gold Mine from 6% to 3%. The purchase agreement entered into between the Company's subsidiary, Bonanza Explorations Inc. ("Bonanza"), and TOMCL provides for the buyback of a 3% Royalty held by TOMCL for US$2,500,000 on or before March 31, 2021 (the "Royalty Buyback"). The Royalty Buyback is conditional on the Company successfully arranging project financing for the re-start of production at the Copperstone Gold Mine.

All required property payments were made with respect to the Copperstone Project as of September 30, 2020, 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.

8. Accounts payable and accrued liabilities

	As at September 30, 2020	**As at June 30, 2020**
Trade payables	**$ 431,549**	$ 966,306
Accrued liabilities	**201,012**	232,536
Payroll liabilities	**320**	280
Total	**$ 632,881**	$ 1,199,122

(Expressed in Canadian Dollars)

9. Lease liability

On September 1, 2019, the Company entered into a thirty-six month lease agreement for a mobile equipment. The total lease payments of $87,036 has been discounted at the implicit interest rate of 7% and resulted present value of $78,551. Under the lease agreement, the Company is required to pay a quarterly payment of $7,938 (US$5,951)

		Total
Balance, June 30, 2019	**$**	**-**
Additions		78,551
Interest expense		3,816
Lease payments		(24,332)
Foreign exchange movements		2,025
Balance, June 30, 2020		**60,060**
Interest expense		1,027
Lease payments		(7,939)
Foreign exchange movements		(1,272)
Balance, September 30, 2020	**$**	**51,876**

Allocated as:

		As at September 30, 2020		As at June 30, 2020
Current	**$**	**28,870**	$	28,988
Long-term		**23,006**		31,072
	$	**51,876**	$	60,060

The following table presents the contractual undiscounted cash flows for lease obligation as at September 30, 2020:

Less than one year	**$**	**31,752**
One to two years		**23,814**
Total undiscounted lease obligation	**$**	**55,566**

10. Other loans payable

In May 2020, the Company received a $156,200 loan under the Paycheque Protection Program from the U.S. Small Business Administration, a Agency of the United States of America. The loan will mature in 2 years and the interest is 1% per year. The Company must re-pay principle and interest of $8,790.37 every month, beginning 7 month from the month of the loan.

(Expressed in Canadian Dollars)

11. Promissory notes payable

	Promissory note (1)	Promissory note (2)	Total
Balance, June 30, 2019	**$ 4,176,893**	**$ 2,314,220**	**$ 6,491,113**
Accrued interest	347,664	192,625	540,289
Balance, June 30, 2020	**4,524,557**	**2,506,845**	**7,031,402**
Accrued interest	91,850	50,889	142,739
Balance, September 30, 2020	**$ 4,616,407**	**$ 2,557,734**	**$ 7,174,141**

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. During the year ended June 30, 2020, the maturity date was extended to January 20, 2021 and then again to August 22, 2021. Subsequent to the three months ended September 30, 2020, the maturity date was extended to December 31, 2023 (see note 22). The rate of interest payable on the principal of the notes will be increased from 8% to 10%, with interest payable quarterly starting on the commencement of commercial production.

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. During the year ended June 30, 2020, the maturity date was extended to January 20, 2021 and then again to August 22, 2021. Subsequent to the three months ended September 30, 2020, the maturity date was extended to December 31, 2023 (see note 22). The rate of interest payable on the principal of the notes will be increased from 8% to 10%, with interest payable quarterly starting on the commencement of commercial production. The promissory notes will also be amended to include a conversion feature providing that the principal amount of the notes can be converted into common shares of Kerr at any time prior to maturity at a price of $0.16 per share, subject to early conversion in the event the volume-weighted average trading price of the common shares exceeds $0.30 for twenty consecutive trading days.

12. 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. During the year ended June 30, 2020, the maturity date was extended to January 20, 2021 and then again to August 22, 2021. Subsequent to the three months ended September 30, 2020, the maturity date was extended to December 31, 2023 (see note 22). The rate of interest payable on the principal of the notes will be increased from 8% to 10%, with interest payable quarterly starting on the commencement of commercial production.

12. Convertible promissory notes payable (continued)

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.

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 Kerr debenture I and II convertible promissory notes 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.

During the year ended June 30, 2020, the maturity date was extended to January 20, 2021 and then again to August 22, 2021. As a result, the Company treated them as two new convertible promissory notes with a new maturity date of August 22, 2021. 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, 2020, the maturity date was extended to December 31, 2023 (see note 22). The rate of interest payable on the principal of the notes will be increased from 8% to 10%, with interest payable quarterly starting on the commencement of commercial production.

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 meeting prescribed project milestones 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.

12. Convertible promissory notes payable (continued)

Sprott convertible note (continued)

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.

Since the Sprott note I 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, and $145,087 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.

On July 2, 2019, the Company issued 724,177 shares to Sprott as the interest payment of $116,815 (note 15). On August 6, 2019, Sprott elected to convert $660,850 (US$500,000) of Sprott Note I into 4,130,313 common shares of the Company (note 15). On March 20, 2020, the maturity date of Sprott Note I was extended to May 31, 2021 and the expiry date of the Sprott Warrants I was extended to November 28, 2023 (note 17). The original residual amount of $106,678 assigned to Sprott Warrants I has been moved from warrant reserve to contributed surplus.

The Company treated the modification as an extinguishment of the original financial liabilities and recognition of new financial liabilities. The Company recalculated the fair value of liability component, Sprott Warrants I, and derivative liabilities. The fair value of the financial derivative liability (conversion feature) was estimated at $46,206 by using Black-Scholes pricing model with the assumptions; dividend yield 0%; risk free interest 0.61%; volatility 73.28% and an expected life of 14 months.

(Expressed in Canadian Dollars)

12. Convertible promissory notes payable (continued)

Sprott convertible note (continued)

On March 20, 2020, the Company received an additional $716,600 (US$500,000) convertible note ("Sprott Note II") from Sprott. The Sprott Note II has a maturity date of May 31, 2021, interest rate of 9% per annum, compounded and payable semi-annually. The Sprott Note II is convertible into Common Shares at any time prior to maturity at a conversion price of CDN$0.13 per share. The Corporation can redeem the Sprott Note II at any time by paying the outstanding principal amount and accrued interest in cash, or with the agreement of the holder, in common shares of the Corporation. In connection with the Sprott Note II, the Company issued to Sprott an additional 650,000 common share purchase warrants ("Sprott Warrants II"). Each Sprott Warrant II entitles the holder to purchase one Common Share at a price of $0.13 until November 28, 2023 (note 17).

The warrants met the fixed for fixed criteria and was classified as an equity instrument and the residual amount of $13,745 being the fair value of the equity (Sprott Warrants II). The fair value of the financial derivative liability (conversion feature) was estimated at $20,355 by using Black-Scholes pricing model with the assumptions; dividend yield 0%; risk free interest 0.61%; volatility 73.28% and an expected life of 14 months. Transaction costs of $83,660 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 $2,595 was allocated to equity component, and was accounted for as a deduction from equity; and $81,065 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.

The following table summarizes the debt component:

	Kerr debenture I	Kerr debenture II	Sprott note I	Sprott note II	Total
Balance, June 30, 2019	**$ 3,094,121**	**$ 1,450,059**	**$ 2,477,483**	**$ -**	**$ 7,021,663**
Less converting of loan	-	-	(777,665)	-	(777,665)
Issue of convertible debt	-	-	-	716,600	716,600
Less transaction cost	-	-	-	(83,660)	(83,660)
Less fair value on convertible feature	(2,512)	(177,942)	(46,206)	(20,355)	(247,015)
Less fair value of detachable warrants	-	-	(49,020)	(13,745)	(62,765)
Less deferred tax	-	-	(17,674)	(27,373)	(45,047)
Interest paid	-	-	(204,708)	-	(204,708)
Accrued interest	263,560	128,280	204,708	-	596,548
Accretion expenses	21,926	178,943	280,925	31,100	512,894
Foreign exchange difference	131,280	65,549	87,649	(35,200)	249,278
Balance, June 30, 2020	**3,508,375**	**1,644,889**	**1,955,492**	**567,367**	**7,676,123**
Accrued interest	69,697	33,895	45,328	15,109	164,029
Accretion expense	246	13,920	23,933	30,761	68,860
Foreign exchange difference	(74,387)	(36,179)	(43,289)	(14,429)	(168,284)
Balance, September 30, 2020	**$ 3,503,931**	**$ 1,656,525**	**$ 1,981,464**	**$ 598,808**	**$ 7,740,728**
Components of convertible promissory notes payable:					
Current	$ -	$ -	$ 1,981,464	$ 598,808	$ 2,580,272
Long term	$ 3,503,931	$ 1,656,525	$ -	$ -	$ 5,160,456
Total balance	**$ 3,503,931**	**$ 1,656,525**	**$ 1,981,464**	**$ 598,808**	**$ 7,740,728**

(Expressed in Canadian Dollars)

13. Derivative financial liabilities

The following table summarizes the derivative financial liabilities (note 12):

	Kerr debenture I	Kerr debenture II	Sprott notes I and II	Total
Balance, June 30, 2019	**$ 38,339**	**$ 176,897**	**$ 215,059**	**$ 430,295**
Fair value adjustment to amendment	(38,339)	(176,897)	(215,059)	(430,295)
Derivative financial liabilities on recognition	2,512	177,942	66,561	247,015
Fair value adjustment	(496)	(67,342)	29,609	(38,229)
Balance, June 30, 2020	**2,016**	**110,600**	**96,170**	**208,786**
Fair value adjustment	484	27,741	11,034	39,259
Balance, September 30, 2020	**$ 2,500**	**$ 138,341**	**$ 107,204**	**$ 248,045**
Components of derivative financial liabilities:				
Current	$ -	$ -	$ 107,204	$ 107,204
Long term	$ 2,500	$ 138,341	$ -	$ 140,841
Total Balance	**$ 2,500**	**$ 138,341**	**$ 107,204**	**$ 248,045**

14. 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	
Balance, June 30, 2019	**$ 2,271,222**
Accretion expense for the year	9,690
Foreign exchange differences	93,889
Adjustment	155,844
Balance, June 30, 2020	**2,530,645**
Accretion expense for the period	1,809
Foreign exchange differences	(53,526)
Adjustment	(1,391)
Balance, September 30, 2020	**$ 2,477,537**

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 $2,477,537 (US$1,856,945) to which the Company has provided cash collateral as disclosed in (note 3).
ii) Risk-free rate at 0.39%.
iii) Expected timing of cash outflows required to settle the obligation is for the full amount to be paid in 2023.
iv) Inflation over the period up to 2023 was estimated to be 1.51% per annum.

(Expressed in Canadian Dollars)

15. 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, 2019	**280,374,577**	**$141,743,418**
Shares issued for interest (i)	724,177	116,815
Conversion of promissory note (ii)	4,130,313	660,850
Options exercised (iii)	2,200,000	492,888
Balance, September 30, 2019	**287,429,067**	**$143,013,971**
Balance, June 30, 2020	**310,342,553**	**$145,408,462**
Common shares issued in placement (iv)	35,720,000	5,000,800
Value allocated to warrant (iv)	-	(716,618)
Share issue cost	-	(628,155)
Balance, September 30, 2020	**346,062,553**	**$149,064,489**

(i) On July 2, 2019, the Company issued 724,177 shares at a price of $0.16 per share to Sprott for the interest payment of 116,815 (US$90,500) accrued for Sprott Note I.

(ii) On August 6, 2019, Sprott elected to convert $660,850 (US$500,000) of Sprott Note I into 4,130,313 common shares of the Company at a price of $0.16 per share.

(iii) On September 6, 2019, a director and officer of the Company exercised 2,200,000 options at a price of $0.125 per for proceeds of $275,000.

(iv) On August 8, 2020, the Company closed a bought deal financing for aggregate gross proceeds of $5,000,800 (the "Offering"). Pursuant to the Offering, the Company issued a total of 35,720,000 units of the Company (the "Units") at a price of $0.14 per Unit. Each Unit consists of one common share in the capital of the Company (a "Common Share") and one half of one Common Share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder thereof to purchase one Common Share at a price of $0.22 for a period of 24 months. The fair value of the 17,860,000 share purchase warrants was estimated at $716,618 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 0.27%; volatility 82.11% and an expected life of 24 months.

Haywood Securities Inc. acted as sole underwriter for the Offering. The Company paid finder fees totaling $300,048 and incurred legal and other cost of $220,558. The Company also issued broker warrants. Each broker warrant entitles the holder thereof to purchase one Common Share at a price of $0.22 for a period of 24 months. The fair value of the 2,143,200 broker warrants was estimated at $107,548 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 0.27%; volatility 82,11% and an expected life of 24 months.

(Expressed in Canadian Dollars)

16. 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, 2020 and September 30, 2019:

	Number of stock options	Weighted average exercise price
Balance, June 30, 2019	**13,000,000**	**$ 0.200**
Expired	(2,200,000)	(0.125)
Balance, September 30, 2019	**10,800,000**	**$ 0.210**
Balance, June 30, 2020 and September 30, 2020	**21,700,000**	**$ 0.170**

The following table reflects the actual stock options issued and outstanding as of September 30, 2020:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
May 2, 2022	0.19	1.59	4,000,000	4,000,000
August 23, 2022	0.22	1.90	3,000,000	3,000,000
January 12, 2023	0.30	2.28	2,000,000	2,000,000
November 28, 2023	0.13	3.16	500,000	500,000
January 29, 2024	0.14	3.33	500,000	500,000
April 15, 2024	0.125	3.54	800,000	800,000
November 5, 2024	0.135	4.10	2,200,000	2,200,000
April 28, 2025	0.14	4.58	8,700,000	8,700,000
	0.17	**3.30**	**21,700,000**	**21,700,000**

(Expressed in Canadian Dollars)

17. Warrants

The following table reflects the continuity of warrants for the three months ended September 30, 2020 and September 30, 2019:

	Number of warrants		Amount
Balance, June 30, 2019	**29,991,357**	**$**	**0.22**
Expired	(4,401,948)		(0.27)
Balance, September 30, 2019	**25,589,409**	**$**	**0.21**
Balance, June 30, 2020	**49,152,895**	**$**	**0.21**
Issued (note 15(b))	20,003,200		0.22
Balance, September 30, 2020	**69,156,095**	**$**	**0.21**

The following table reflects the actual warrants issued as of September 30, 2020:

Number of warrants outstanding	Grant date fair value ($)	Exercise price ($)	Expiry date
21,239,409	869,826	0.21	November 27, 2020 (1)
3,350,000	139,682	0.21	April 15, 2021 (1)
22,913,486	714,964	0.21	February 28, 2022 (1)
20,003,200	824,166	0.22	August 10, 2022
1,000,000	49,020	0.15	November 28, 2023
650,000	13,745	0.13	November 28, 2023
69,156,095	**2,611,403**	**0.21**	

(1) Each Warrant entitles the holder to purchase one Common Share at a price of CDN$0.21 per Common Share for a period of 24 months from the date of issuance provided that if, at any time the Common Shares trade on a stock exchange at a volume weighted average trading price of $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.

18. Loss per share

For the three months ended September 30, 2020, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $2,155,735 (three months ended September 30, 2019 - $1,102,234) and the weighted average number of common shares outstanding of 330,143,857 (three months ended September 30, 2019 - 283,552,220) 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.

Loans from related parties	September 30, 2020 Directors	Total
Promissory note payables (note 11)	$ 7,174,141	$ 7,174,141
Convertible promissory note payables (note 12)	5,160,456	5,160,456
Derivative financial liabilities (note 12)	140,841	140,841
Total	**$ 12,475,438**	**$ 12,475,438**

Loans from related parties	June 30, 2020 Directors	Total
Promissory note payables (note 11)	$ 7,031,402	$ 7,031,402
Convertible promissory note payables (note 12)	5,153,264	5,153,264
Derivative financial liabilities (note 12)	112,616	112,616
Total	**$ 12,297,282**	**$ 12,297,282**

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

		Three Months Ended September 30, 2020	2019
The Marrelli Group	(i)	**$ 22,939**	$ 12,849
Peterson McVicar LLP ("Peterson")	(ii)	**93,773**	10,205
Braydon Capital Corporation ("Braydon")	(iii)	**142,739**	108,281
Trans Oceanic Minerals Corporation ("TOMC")	(iv)	**154,481**	102,721

i) During the three months ended September 30, 2020, the Company paid professional fees and disbursements of $22,939, (three months ended September 30, 2019 - $12,849) to Marrelli Support Services Inc., DSA Corporate Services Inc., DSA Filling Services Limited and Marrelli Press Release Services Limited, together known as the "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, 2020, the Marrelli Group was owed $16,549 (June 30, 2020 - $19,396).

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, 2020 was $93,773 (three months ended September 30, 2019 - $10,205). The amounts owing to the firm as at September 30, 2020 was $86,853 (June 30, 2020 - $66,720).

(Expressed in Canadian Dollars)

19. Related party transactions (continued)

(b) Transactions (continued)

iii) During the three months ended September 30, 2020, the Company accrued interest to Braydon for the promissory notes payables (note 11).

iv) During the three months ended September 30, 2020, the Company accrued interest to TOMC for the promissory notes payables (note 11) and convertible promissory notes payable (note 12).

v) During the three months ended September 30, 2019, an officer and director of the Company exercised 2,200,000 stock options exercised at $0.125 per share for total proceeds of $275,000 (three months ended September 30, 2020 - $nil).

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

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
Salaries and benefits	**$ 75,527**	$ 74,273
Consulting fee	**87,500**	87,500
Stock-based compensation	**-**	6,382
	$ 163,027	$ 168,155

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) 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 $1,122,587 (US$841,583) 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.

(Expressed in Canadian Dollars)

20. Commitments and contingencies (continued)

c) In December late 2019, the Company experienced a localized failure of the highwall of the historic open pit mine at the Copperstone Project. The highwall failure impacted certain of the infrastructure at the main portal to the underground workings, including the power infrastructure. Initial estimates to repair the damage were approximately US$1 million. The Company advised its insurers of the incident and the insurers sent claim adjusters to site to review all damages. Initial oral and written representations from the Company's insurers indicated that all damages would be covered and that the costs of remediation of the damages would also be recoverable.

To date the Company has received insurance proceeds of US$260,000. The remediation was completed in June, 2020 at a total cost of approximately US$1.8 million. The actual costs were higher than estimated due to significantly higher costs to provide temporary power to the underground workings required to ensure on-going dewatering and mitigate incurring further damages. During the remediation process and since its completion the Company has been provided the insurers with all required documentation to substantiate the entire claim and has been actively engaged with the insurance company regarding the balance of the claim.

As a result of the further delays by the insurer the Company filed a Statement of Claim on August 12, 2020 and intends to pursue this claim vigorously in addition to further additional damages suffered by the Company as a result of this delay. Subsequent to September 30, 2020, the Company agreed to a settlement with the insurer (see note 22)

21. Segmented information

As at September 30, 2020, 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, 2020

	Canada	USA	Total
Revenues	$ -	$ -	$ -
Net loss	$ (1,046,249)	$ (1,109,486)	$ (2,155,735)

Three Months Ended September 30, 2019

	Canada	USA	Total
Revenues	$ -	$ -	$ -
Net loss	$ (447,106)	$ (655,128)	$ (1,102,234)

As at September 30, 2020

	Canada	USA	Total
Total assets	$ 3,012,673	$ 17,477,791	$ 20,490,464
Non-current assets	$ -	$ 17,277,109	$ 17,277,109

As at June 30, 2020

	Canada	USA	Total
Total assets	$ 368,804	$ 17,908,656	$ 18,277,460
Non-current assets	$ -	$ 17,579,593	$ 17,579,593

22. Subsequent events

a) Subsequent to September 30, 2020, the Company and Star Royalties Ltd. (“Star Royalties”) announced the execution of a definitive US$18,000,000 gold streaming agreement (“Streaming Agreement”) to finance the restart of operations and gold production at the Copperstone Mine in Arizona, USA. The key transaction terms are as follows:

- Star Royalties will purchase from Kerr 9.9% of gold produced until a cumulative 21,000 ounces are delivered, then 3.3% of gold produced until a cumulative 27,200 ounces are delivered, then 1.2% of gold produced thereafter for the life of mine;
- Star Royalties will provide a cash payment to Kerr for each ounce of gold delivered equal to 25% of the average gold spot price for the five consecutive trading days prior to delivery.
- The advance of the first tranche of US$6 million is subject to Kerr repaying the outstanding US$2 million convertible promissory note held by Sprott and customary closing conditions, including completion of the requisite security package.
- Additionally, it was agreed with Sprott that US$500,000 with a conversion price of CAD$0.13 and US$1,500,000 with conversion price of CAD0.16 would not be exercised.

The US$18 million prepayment under the Streaming Agreement will be provided in three equal installments, with the first installment to be advanced on the initial closing, which is expected to take place on or before November 19, 2020. The remaining two tranches will be advanced at the request of Kerr as it incurs expenditures for the restart of Copperstone Gold Mine Project with US$6 million on or before February 28, 2021 and a further US$6 million on or before April 30, 2021.

In connection with the Streaming Agreement, the Company amended the promissory notes payable (see note 11 above) and the Kerr debentures I and II (see note 12 above) (combined the "Notes") as follows:

- The maturity dates of outstanding Notes held by Braydon and TOMCL will each be extended from August 22, 2021 to December 31, 2023;
- The rate of interest payable on the principal of the Notes will be increased from 8% to 10%, with interest payable quarterly starting on the commencement of commercial production;
- The two $1,000,000 unconvertible promissory notes, one held by each of Braydon and TOCML, will be amended to include a conversion feature providing that the principal amount of the notes can be converted into common shares of Kerr at any time prior to maturity at a price of CAD$0.16 per share, subject to early conversion in the event the volume-weighted average trading price of the common shares exceeds CAD$0.30 for twenty consecutive trading days;
- Kerr has also agreed to make prepayments against the principal of the Notes by way of preferential payments, in certain circumstances.

22. Subsequent events (continued)

b) In December 2019, the Company experienced a localized failure of the open pit high-wall at the Copperstone Mine. The high-wall failure damaged areas of the infrastructure at the main portal to the underground workings, including the power infrastructure. Initial estimates to repair the damage were approximately US$1 million. The Company advised its insurers of the incident and the insurers sent adjusters to site to review the damages. Initial oral and written representations from the Company's insurers indicated that all damage was covered and that the costs of remediation of the damages would be recoverable. As of June 30, 2020 the Company received insurance proceeds of US$256,458.

The remediation was completed in June 2020 at a total cost of approximately US$1,812,597. The actual costs were significantly higher than initially estimated due to significantly higher costs to provide temporary power to the underground workings for an extended period of time to ensure ongoing dewatering and mitigate incurring further damages. During the remediation process and since its completion, the Company has provided the insurers with required documentation to substantiate the claim and actively engaged with the insurance company regarding the balance of the claim.

As a result of the further delays by the insurer the Company filed a Statement of Claim on August 12, 2020 to pursue the remaining amount payable under this claim. Subsequent to September 30, 2020 the Company agreed to a settlement with the insurer for an additional payments totaling US$1,368,354, plus legal fees for a total recovery of $1,624,812 net of the $50,000 deductible and legal fees.