KERR MINES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE MONTHS ENDED SEPTEMBER 30, 2018

EXPRESSED IN CANADIAN DOLLARS

Prepared by:

KERR MINES INC.

18 King Street E – Suite 902
Toronto, Ontario
M5C 1C4

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Kerr Mines Inc. ("Kerr" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended September 30, 2018. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended June 30, 2018 and June 30, 2017, together with the notes thereto, and the condensed interim consolidated financial statements of the Company for the three months ended September 30, 2018, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three months ended September 30, 2018 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as of November 12, 2018, unless otherwise indicated.

The Company's consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, (the "Board") considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Kerr common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on Kerr's website at **www.kerrmines.com** or on the System for Electronic Documents Analysis and Retrieval (SEDAR) at **www.sedar.com**.

Caution Regarding Forward-looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-looking statements	Assumptions	Risk factors
Potential of Kerr's interests to contain economic deposits of gold production.	Financing will be available for future exploration and development of Kerr's properties; the actual results of Kerr's exploration and development activities will be favourable; operating, exploration and development costs will not exceed Kerr's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to Kerr, and applicable political and economic conditions will be favourable to Kerr; the price of gold and applicable interest and exchange rates will be favourable to Kerr; no title disputes exist with respect to the Company's properties.	Precious metal price volatility; uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with Kerr's expectations; availability of financing for and actual results of Kerr's exploration and development activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff.
The Company's cash balance at September 30, 2018, is sufficient to fund its consolidated operating expenses at current levels, subject to raising sufficient capital. As at September 30, 2018, the Company's consolidated cash balance is $149,706.	The operating and exploration activities of the Company for the twelve-month period ending September 30, 2019, and the costs associated therewith, will be dependent on raising sufficient capital consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to Kerr.	Adverse changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.

Management's outlook regarding future trends (see "Trends").	Financing will be available for the Company's operating activities; the longer-term price of gold will be favourable to the Company.	The volatility of the price of gold; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Kerr's ability to predict or control. Please refer to those risk factors included in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Kerr's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of Business

Kerr Mines is a TSX listed emerging American gold producer advancing the fully permitted past-producing Copperstone Mine project to production. The Company has a 100% leasehold interest in the exploration and development stage Copperstone project which consists of 546 Federal unpatented mining claims covering an area of approximately 4,775 hectares (11,800 acres) and about two square miles of Arizona State Land Trust mineral exploration permits located in La Paz County, Arizona. Copperstone lies in the 350 mile long Arizona-centered Detachment Fault Terrane, stretching from near Las Vegas, Nevada to southeastern Arizona, and along the Colorado River between Arizona and California. The terrane includes the Mesquite Mine in California, with historic production and 2013 resources of over 9 million troy ounces of gold.

Within the Copperstone project is the Copperstone Mine. The Copperstone Mine, previously operated by Cyprus Minerals Corporation, produced nearly one-half million ounces of gold between 1987 and 1993 through open pit mining. Ackerman (1998) reported production by Cyprus at Copperstone of 514,000 oz of gold from 5,600,000 Mt of ore grading 2.8 g/tonne (0.089 oz/t) of gold. Existing infrastructure which remains from this time, or which had been subsequently installed by the Company's predecessor, American Bonanza Gold Corp, is considerable and serves to reduce the current capital requirements for the mine. Existing infrastructure includes a power line and substation, and three water wells. Additional infrastructure includes underground development and supporting infrastructure, offices, maintenance shops, a laboratory building, permitted tailings facility and mineral processing facility, all sufficient for the proposed potential operations at the Copperstone mine. In addition, the Copperstone Mine is fully permitted for operation.

As outlined in the NI 43-101 Preliminary Feasibility Report highlights, dated April 10, 2018, the Copperstone Zone, located down dip of the ore body mined by Cyprus, using a model cut-off of 0.100 ounces per ton contains a Measured + Indicated mineral resource of 1,239,800 tons at 0.223 ounces per ton average grade for 276,100 ounces of contained gold and an Inferred resource of 734,100 tons at 0.198 ounces per ton average grade for 145,700 ounces of contained gold.

Operational Highlights

Corporate

On July 10, 2017 the Company closed the final tranche of a non-brokered private placement, by issuing 8,803,896 units for gross proceeds of $1,584,701. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of $0.27 per share for a period of 24 months from the date of issuance, provided, that if, at any time the common shares trade at a volume weighted average trading price of $0.40, or greater, per share for a period of 20 consecutive trading days. The Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company. The fair value of the 4,401,948 share purchase warrants was estimated at $320,810 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.47%; volatility 106% and an expected life of 24 months.

On December 14, 2017, the Company closed a non-brokered private placement, by issuing 20,371,869 common shares of the Company at a price of $0.30 per share for total gross proceeds of $6,111,564. In connection with the private placement, the Company paid finder fees totaling $209,387 to certain eligible persons.

On May 30, 2018, the Company announced the appointment of Dave Thomas as VP Projects and Mine General Manager. Mr. Thomas is an Engineer with over 30 years' experience in the mining industry, specifically in constructing and moving mines into production. He has held key roles in constructing mines such as the Kupol Mine for Bema Gold (now Kinross Gold), Fort Knox and Kubaka mines for Kinross Gold, Kensington and Palmarejo mines for Coeur Mining, Hope Bay for Newmont and Pogo and Red Dog for Cominco (now Teck Resources).

At September 30, 2018, the Company had assets of $19,012,390 (June 30, 2018 - $20,398,069) and a net equity position of $5,369,446 (June 30, 2018 – $6,495,613). At September 30, 2018, the Company had current liabilities of $779,291 (June 30, 2018 - $1,331,873). The Company had net exploration and evaluation expenditures of $914,196 during the three months ended September 30, 2018 (three months ended September 30, 2018 - $2,049,820) on its gold interests.

On July 18, 2018, the Company announced the signing of a letter of intent for US$27.6 Million with Pandion Mine Finance for project financing and makes a positive production decision.

On August 20, 2018 the Company announced that it had divested all of its interests in their Northern Ontario land package. Kerr received 8,000,000 common shares, approximately 9.0%, of Orefinders Resources Inc (TSX-V: ORX) outstanding share capital, in addition, the Company received 440,248 common shares of PowerOre Inc (TSX-V: PORE), a battery metal focused company.

On November 6, 2018 the Company announced that it had received approval for and signed a term sheet for a finance facility with Sprott Resource Lending (Collector) LP for up to US$25 Million of senior secured project financing 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
- US$2 million senior gold loan facility (the "**Gold Loan**") repayable 18 months after closing
- US$21 million senior project loan facility (the "**Project Facility**") repayable 48 months after closing
- The Company will also raise US$2 million in equity as working capital

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

On November 9, 2018, the Company announced that in conjunction with the finance facility announced on November 6, 2018, the Company was raising $2.5 Million in equity by issuing up to 17,857,143 units. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of $0.21 per share for a period of 24 months from the date of issuance, provided, that if, at any time the common shares trade at a volume weighted average trading price of $0.30, or greater, per share for a period of 20 consecutive trading days. The Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company. The Company will use the net proceeds along with the funding from the financing facility provided by Sprott Resource Lending, see Press Release November 6, 2018, as working capital to fund the resource expansion, engineering and development at the Copperstone Mine.

Current and Future Plans Related to Exploration Activities

The 2017 Phase-I exploration program was developed to provide a pathway for increasing resources in both the Copperstone and Footwall zones. The program advanced knowledge of mineralizing controls of ore zones at the Copperstone Mine and provided a pathway for adding resources by confirming mineralization, improving continuity and increasing mineralized extents along continued open trends in both the Copperstone and Footwall Zones. The 2017 program formed the foundation of the PFS economics and production decision.

Building upon the outcomes of 2017 drilling and PFS, the 2018 Phase-II exploration drilling program is aimed at increasing mine life beyond the Study mine life through upgrading and increasing resources. The objectives of the 2018 program include the upgrading and conversion of Inferred resources into Measured & Indicated, the extension of known gold zones through the addition of new Inferred mineralization near existing development.

Outlook

Over the next 12 months the Company is focused on delivering shareholder value in the following ways:

- Executing on this Resource Expansion Plan focused on increasing its resource and mine life.
- Phase II Resource Expansion underground drill program:

  - Up to 15,000 meters with the objective of upgrading Inferred tonnes to Indicated or better and to improve continuity and grade of the M&I mineral resource tonnes that were not part of the P&P mineral resource tonnes in the current resource.
  - Up to 5,000 meters to test additional zones and add Inferred tonnes.
  - Up to 2,000 meters for stope definition and metallurgical purposes.
- Drilling location targets for additions and conversions are associated with structural, alteration and lithologic controls which have demonstrated to have significant support for mineralization. Drilling targets also include areas of magnetite skarns and replaced limestones which often demonstrate significant upside potential in near mine extents.
- Completion of detailed engineering and minor modifications of existing permits.
- Mobile and fixed equipment purchases.
- Enhance existing mine development to provide access to newly defined mining areas.
- Moving the Coppertone Mine into production in Q1 2020.
- Setting a production target of 38,000 ounces gold per year.

Operational Update

- On August 8, 2017, the Company awarded the three key contracts to support the execution of the 2017 Copperstone Mine exploration program and pre-feasibility study.
- On August 15, 2017, the Company launched the surface drilling portion of the 2017 Phase I Copperstone Mine exploration program and pre-feasibility study.
- On August 21, 2017, the Company commenced the underground drilling portion of the 2017 Phase I Copperstone Mine exploration program and pre-feasibility study.
- On August 25, 2017, the Company began the first phase of new mine development access for the underground drilling portion of the 2017 Phase I Copperstone Mine exploration program and pre-feasibility study.
- On September 11, 2017, the Company added a second underground drill to the 2017 Phase I Copperstone Mine exploration program and pre-feasibility study.
- On October 17, 2017, the Company announced the addition of two exploration claims for the Copperstone Project was initiated. 541 hectares (1,338 acres) of land for the purposes of future exploration of the Blue Pearl targets. The Blue Pearl targets are contiguous to existing claims and were generated by magnetic resonance imagery.
- On October 24, 2017, the Company announced the discovery of a new mineralized zone at the Copperstone Project. The Footwall Zone is parallel to and 150 meters (500 feet) to the west of the Copperstone Zone.

- On November 2, 2017 the Company announced initial results of its Phase I underground drilling program with 10 of 12 drill holes intersecting significant gold mineralization and increasing the confidence in expanding the resource at the Company's Copperstone project in Arizona.
    - Results extend down-dip and up-dip gold grade and extend mineralized areas along strike in 2 sections of the Copperstone Zone.
    - New intervals drilled from underground through the D Zone include:
        - 0.6 meters @ 16.2 g/t Au (KER-17U-12)
        - 6.1 meters @ 8.6 g/t Au (KER-17U-06)
        - 4.6 meters @ 5.1 g/t Au (KER-17U-04)
        - 3.0 meters @ 7.9 g/t Au (KER-17U-05)
        - 3.9 meters @ 6.2 g/t Au (KER-17U-11), and
        - 2.7 meters @ 5.4 g/t Au (KER-17U-11)
- On January 15, 2018 the Company announced further results of its Phase I surface drilling program. KER-17S-21 further extends the Footwall Zone by returning a 36.6 meter drill hole interval with 7.5 g/t gold (Au) and 0.26% copper (Cu). Phase I of the program continues to confirm significant gold mineralization and increases the confidence in expanding the resource at the Company's Copperstone Project in Arizona.
    - New intervals drilled from the surface through the Footwall Zone included:
        - 3.4 meters @ 7.9 g/t Au and 2.78 % Cu (KER-17S-10)
        - 4.6 meters @ 13.2 g/t Au and 1.28 % Cu (KER-17S-13)
        - 4.3 meters @ 6.8 g/t Au and 0.19 % Cu (KER-17S-17)
        - 36.6 meters @ 7.5 g/t Au and 0.26 % Cu (KER-17S-21)
    - Increase of 255% of mineralized zone including an increase of 223 meters of strike and 91 meters of dip extents compared to previously announced Footwall Zone.
    - Discovery of a new and separate Footwall mineralized zone with 105 meters of strike and 240 meters of dip.
    - Open for further expansion along strike and dip with future drilling.
- On February 21, 2018 the Company announced final results of its Phase I underground drilling program. KER-17U-50 further extends the Copperstone Zone by returning a 7.3 meter drill hole interval with 102.7 g/t gold (Au). This conclusion of Phase I of the underground program confirms significant gold mineralization and increases the potential in expanding the resource at the Company's Copperstone Project in Arizona.
    - New intervals from underground drilling the Copperstone Zone included:

    - 3.5 meters @ 20.3 g/t Au and 0.38 % Cu (KER-17U-21B)
    - 7.3 meters @ 102.7 g/t Au and 0.08 % Cu (KER-17U-50)
    - 5.0 meters @ 8.1 g/t Au and 0.74 % Cu (KER-17U-51)
    - 3.2 meters @ 7.8 g/t Au and 0.08 % Cu (KER-17U-52)
    - 3.4 meters @ 9.5 g/t Au and 4.01 % Cu (KER-17U-53)
    - 2.8 meters @ 7.6 g/t Au and 0.15 % Cu (KER-17U-57)
    - 3.5 meters @ 6.2 g/t Au and 0.03 % Cu (KER-17U-68)
  - Established continuity between previously mineralized zones.
  - Open for further expansion along strike and dip with future drilling.
- On April 10, 2018, the Company announced preliminary feasibility study highlights with 40% IRR, Updated Resource, Proven Reserves and Production in 2019. Copperstone PFS highlights (all values US$ unless otherwise noted):
  - Base case $1,250/oz gold;
  - Initial capital of $22.7 million which includes a mine equipment capital lease;
  - Study life operating margin (EBITDA) of $89M, Internal rate of return of 40%;
  - Payback of initial capital within 2.3 years of 2019 production start;
  - Recovery of gold averaging 95% using crushing, grinding and whole ore leach;
  - Average annual sales of 38,347 ounces gold;
  - Cash Operating Cost of $684 per gold ounce;
  - All-in Sustaining Cost ("AISC") of $875 per gold ounce;
  - Measured and Indicated ("M&I") Mineral Resources of 1,124,800 tonnes averaging 7.63 g/tonne gold;
  - 276,100 ounces contained gold in M&I Resource;
  - Inferred Mineral Resources of 666,000 tonnes averaging 6.81 g/tonne gold;
  - 145,700 ounces contained gold in Inferred;
  - Proven and Probable ("P&P") Mineral Reserves of 802,048 tonnes averaging 6.79 g/tonne gold;
  - 175,093 ounces contained gold in P&P Reserve;
  - M&I gold resources ounces, which are not part of the P&P reserve ounces, are targeted for potential inclusion in the P&P reserves through recommended future drilling;

- Inferred gold resources are open for further expansion and conversion through recommended future drilling in the Copperstone and Footwall zones.

Technical Disclosure

The above technical disclosure under the heading "Current and Future Plans Related to Exploration Activities" has been prepared under the supervision of Michael R. Smith, RM-SME., and a "qualified person" within the meaning of National Instrument 51-101. Reported drill hole intercept intervals are not true width.

Trends

Although there can be no assurance that additional funding will be available to the Company, management is of the opinion that the project is at a pre-production stage and hence it may be possible to obtain additional funding for its project.

Apart from these and the risk factors noted under the heading "Risk Factors", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations. See "Risk Factors" below.

Quarterly Information

A summary of selected financial information of Kerr for each of the eight most recent completed quarters is as follows:

Three Months Ended	Total Revenue ($)	Loss (Income) Total ($)	Loss (Income) Per Share ($)	Total Assets ($)
September 30, 2018	-	1,179,153	0.00	19,012,390
June 30, 2018	-	274,423	0.01	20,398,069
March 31, 2018	-	3,418,160	0.01	23,671,666
December 31, 2017	-	4,958,191	0.02	24,729,262
September 30, 2017	-	2,917,360	0.01	22,346,743
June 30, 2017	-	1,007,274	0.01	25,662,990
March 31, 2017	-	(409,163)	(0.00)	20,111,125
December 31, 2016	-	2,770,882	0.01	22,736,550

Discussion of Operations

<u>Three months ended September 30, 2018, compared with the three months ended September 30, 2017</u>

Kerr's net loss totaled $1,179,153 for the three months ended September 30, 2018, with basic and diluted loss per share of $0.00. This compares with a net loss of $2,917,360 with basic and diluted loss per share of $0.01 for the three months ended September 30, 2017. The increase in the net loss of $1,738,207 was principally because:

- Exploration and evaluation expenditures for the three months ended September 30, 2018 were $914,196 (three months ended September 30, 2017 - $2,049,820). The decrease is due to work to the Company had commenced the Phase 1 Surface and Underground Drill Program as well as the exploration and development drift in the three months ended September 30, 2017.

- For the three months ended September 30, 2018, the Company recorded shareholder relations expense of $40,686, compared to $344,274 for the three month ended September 30, 2017. Shareholder relations decreased due to various brand awareness campaigns that the Company had undertaken.

- Share-based payments was $24,466 during the three months ended September 30, 2018, compared to $334,808 for the three months ended September 30, 2017 as the Company issued 3,880,000 options for the three months ended September 30, 2017.

- For the three months ended September 30, 2018, the Company recorded a foreign exchange loss of $78,662, compared to a foreign exchange loss of $476.967 for the three months ended September 30, 2017, due to the devaluation of the Canadian dollar against the US dollar.

- The Company recorded a net gain on the settlement of debts of $nil for the three months ended September 30, 2018 compare to $1,062,651 for the three months ended September 30, 2017.

Liquidity and Capital Resources

The activities of the Company, principally the exploration and development of its flagship asset, the Copperstone project, and are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants.

The Company had cash of $149,706 at September 30, 2018 (June 30, 2017 - $1,035,247). The decrease in cash of $885,541 during the three months ended September 30, 2018 was primarily due to the cash used in operating activities of $885,541.

Cash used in operating activities was $885,541 for the three months ended September 30, 2018. Operating activities were affected by the net increase in non-cash working capital balances of $151,532 because of a decreases in amounts receivable of $209, 569 and prepaid expenditures and other assets of $17, 767, and offset by a decrease in accounts payable and accrued liabilities of $75,804. The Company also recorded depreciation of equipment of $112,084, share-based payment of $24,466, a net gain on disposal of assets of $544,645 and a loss on revaluation of derivative liability of $204,167.

The Company has no operating revenues, and therefore must utilize its current cash reserves, funds obtained from the exercise of warrants and stock options and other financing transactions to maintain its capacity to meet ongoing operating activities. As of September 30, 2018, the Company had 255,785,168 common shares issued and outstanding, 9,880,000 options that would raise approximately $2,214,000 if exercised and vested in full, and 22,222,217 warrants outstanding that would raise $6,000,000, if exercised in full. This is not anticipated until the market price of the Company's traded common shares increases.

At September 30, 2018, the Company had a working capital of $192,047 (June 30, 2017 – $269,272). Based on the rate of expenditure, the Company does not have sufficient cash on hand and will have to raise equity capital in the near term in amounts sufficient to fund both exploration work and working capital requirements. Currently, the Company's operating expenses are approximately $150,000 to $225,000 per month for management fees, month-to-month professional fees and other working capital related expenses. On November 6, 2018 the Company announced that it had received approval for and signed a term sheet for a finance facility with Sprott Resource Lending (Collector) LP for up to US$25 Million and had ended discussions with Pandion Mine Finance as announced on July 18, 2018. The proceeds of the finance facility will be used to fund the Copperstone Mine into production. In addition, the Company will commence with a resource expansion program, designed to convert a significant proportion of Measured, Indicated and Inferred Resource into Proven and Probable Reserves that will extend the mine life and cash flow. Based on this, the Company believes it will have sufficient cash to continue operations. However, if the deal with Sprott Resource Lending is not completed, the Company will need to secure additional financing to carry on business activities. The major variables are expected to be the size, timing and results of the Company's 2019 exploration program, budgetary requirements and its ability to secure capital to fund its ongoing operations. Although the Company has been successful in raising funds to date, there is no assurance that future equity capital or debt will be available to the Company in the amounts or at the times desired or on terms that are acceptable to the Company, if at all. However, management is increasingly confident that with the continued support of advisors, shareholders and creditors and improving equity markets, it will be able to proceed with its strategy of redeveloping the Copperstone Mine.

Additional measures have been undertaken or are under consideration to further reduce cash expenditures.

See "Risk Factors" below.

Outstanding Share Data

As at the date of this MD&A, the Company had the following number of common shares and issuable shares outstanding:

Securities	
Common shares	255,785,168
Issuable under options	9,880,000
Issuable under warrants	22,222,217
Total Securities	**287,887,385**

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining adequate disclosure controls and procedures ("DCP") as well as internal controls over financial reporting ("ICFR") as described in our 2018 annual MD&A.

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), with the participation of management last completed an evaluation of the design and operating effectiveness of the Company's DCP's and ICFR's as at June 30, 2018. Based on that assessment, management concluded that the Company's ICFR were operating effectively at June 30, 2018, pursuant to the requirements of Multilateral Instrument 52-109. Management follows which was based on the Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Model").

During the three months ended September 30, 2018, the CEO and CFO have evaluated whether there were changes to the ICFR that have materially affected, or are reasonably likely to materially affect, the ICFR. No such significant changes were identified through their evaluation which was based on the COSO Model

Critical Accounting Judgements, Estimates and Assumptions

The Company makes estimates about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates.

Judgments:

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next year are discussed below:

<u>Exploration and evaluation stage</u>

In management's judgement, the Company's operations are in the exploration and evaluation stage.

<u>Mineral properties</u>

Operating levels intended by management for the Copperstone mine

Prior to a mine being capable of operating at levels intended by management, costs incurred are either expensed or capitalized based on the type of costs incurred. Costs related to developing the property are generally capitalized, while care and maintenance costs and costs related to exploration and evaluating new ore bodies are expensed. Management considers the Copperstone mine is capable of operating at levels intended by management once it reaches consistent production of no less than 60% of planned volume for a period of 30 consecutive days. As of September 30, 2018 the Copperstone mine had not met this target.

<u>Functional currency</u>

The functional currency for the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

<u>Impairment of property, plant and equipment</u>

Assets or cash generating units are evaluated at each reporting date to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed, and an impairment loss recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash-generating group of assets is measured at the higher of fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal.

Present values are determined using a risk-adjusted pre-tax discount rate appropriate for the risks inherent to the asset. Future cash flow estimates are based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves, operating costs, restoration and rehabilitation costs and future capital expenditure. The Company's management is required to make these estimates and assumptions which are subject to risk and uncertainty; hence, there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the asset may be impaired and the impairment would be charged against profit or loss.

Estimates:

The following are some of the more significant estimates made in the preparation of these consolidated financial statements:

Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

The Company's mining activities are subject to various laws and regulations governing the protection of the environment. The Company recognizes management's best estimate for asset retirement obligations in the period in which they occur. Actual costs incurred in future periods could differ materially from the estimates. The ultimate cost of environmental remediation can vary in response to many factors including future changes to environmental laws and regulations, the emergence of new restoration techniques, changes in the life of mine estimates and in discount rates, which could affect the carrying amount of this provision.

Derivatives and Debt Valuation

The valuation of debt and embedded derivatives for convertible instruments is based on the application of a recognized option valuation formula, which is highly dependent on, amongst other things, the expected volatility of the Company's registered shares and the expected life of the options. The Company uses an expected volatility rate for its shares based on past stock trading data, adjusted for future expectations, and actual volatility may be significantly different.

The resulting value calculated is not necessarily the value that the holder of the instrument could receive in an arm's length transaction. It is management's view that the value derived is highly subjective and dependent entirely upon the input assumptions made.

Capital Management

The Company has loans payable, accounts payable and accrued liabilities and equity, and consequently defines capital as all of the components of debt and equity which as at September 30, 2018 amount to $18,233,099 (June 30, 2017 - $16,683,378). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

The Company's objectives and strategies when managing capital are as follows:

- to safeguard the Company's ability to continue as a going concern,
- to raise sufficient non-flow through proceeds from share issues to meet general and administrative expenditures,
- to provide an adequate return to shareholders by advancing the Company's projects to production while ensuring it meets the listing requirements of the Toronto Stock Exchange, and

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended September 30, 2018.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, restricted investments, long term receivable, accounts payable and accrued liabilities, promissory note payable, loan payable, convertible promissory notes, and net smelter return payable. As at September 30, 2018 and June 30, 2018, the carrying values of cash and cash equivalents, accounts receivable, marketable securities, restricted investments, accounts payable and accrued liabilities, promissory note payable, convertible promissory notes, and loan payable approximate their fair values since they are expected to be settled in the short-term. The derivative in the convertible promissory note is marked-to-market at each period end and so the carrying amount also represents the fair value.

<u>Fair Value Measurements of Financial Assets and Liabilities Recognized and Disclosed in the Consolidated Statements of Financial Position</u>

Financial assets and liabilities are characterized using a fair value hierarchy as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

As at June 30, 2018	Level 1 $	Level 2 $	Level 3 $
Marketable securities	513,336	-	-
Restricted cash	1,056,289	-	-
Long term promissory note payable	-	2,180,241	-
Long term convertible promissory notes payable	-	4,201,357	-
Long term loan payable	-	3,935,076	-
Derivative in convertible promissory notes payable	-	-	397,043
Decommissioning liabilities	-	-	2,149,936
Totals	**1,569,625**	**10,316,674**	**2,546,979**

As at June 30, 2017	Level 1 $	Level 2 $	Level 3 $
Marketable securities	2,519	-	-
Restricted cash	1,531,890	-	-
Promissory note payable	-	2,136,863	-
Convertible promissory notes payable	-	4,194,119	-
Loan payable	-	3,856,783	-
Derivative in convertible promissory notes payable	-	-	208,739
Decommissioning liabilities	-	-	2,174,079
Totals	**1,534,409**	**10,187,765**	**2,382,818**

Interest Rate and Credit Risk

The Company has cash and restricted investment balances. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal risk.

An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information when necessary. As at September 30, 2018, there were no receivables past due.

The majority of the Company's borrowings are fixed rate and therefore are not exposed to fluctuations in interest rates. Deposits held with banks may exceed the amount of insurance provided on such deposits.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2018, the Company had cash of $149,706 (June 30, 2018 - $1,035,247) to settle current financial liabilities of $779,291 (June 30, 2018 - $1,331,873). There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change, and shareholders may suffer additional dilution.

	Payments due by period				
Contractual obligations	Total $	Less than 1 year $	1 – 3 years $	4 – 5 years $	After 5 years $
Accounts payable and accrued liabilities	779,291	779,291	-	-	-
Long term promissory note payable	2,180,241	-	2,180,241	-	-
Long term convertible promissory notes payable	4,201,357	-	4,201,357	-	-
Long term loan payable	3,935,076	-	3,935,076	-	-
Provisions	2,149,936	-	-	-	2,149,936
	13,245,901	**779,291**	**10,316,674**	**-**	**2,149,936**

Currency Risk

The Company's exploration activities are conducted in Ontario, Canada and Arizona, United States. Major purchases and exploration expenditures are transacted in US dollars. Administrative expenditures and cash balances are primarily transacted in Canadian dollars. The Company has exposure to foreign currency risk on its cash held in US bank, accounts payable and convertible promissory notes payable. As at September 30, 2018, the Company held approximately US$878,000 of monetary assets and held US$5,493,000 in monetary liabilities. A $0.05 fluctuation in the value of the Canadian dollar would result in an increase or decrease to profit or loss of approximately $231,000. The Company mitigates the risk of foreign currency fluctuations by converting Canadian dollars to US currency when required to fund expenditures. The Company does not currently hedge its foreign exchange risk.

New Standard Adopted

IFRS 9 Financial Instruments ("IFRS 9")

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

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

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

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

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

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;

- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

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

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

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

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

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

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

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

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

New Standards not yet Adopted

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

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

Related Party Balances and Transactions

Related parties include the Board, officers, 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) The Company has entered into a series of financial transactions with related parties Braydon Capital Corporation ("Braydon"), a company controlled by Claudio Ciavarella, a director and shareholder of Kerr, and Trans Oceanic Minerals Corporation Ltd. ("Trans Oceanic") and Tamimi Investment & Mining Company (Tamimi"), companies controlled by Fahad Al Tamimi, Kerr's Chairman of the Board, a shareholder and creditor of Kerr.

- Braydon and Trans Oceanic have each agreed to provide the Company with a long-term debt facility (the "Promissory Notes") of C$1,000,000 bearing interest at 8% after the first year and having a maturity date three (3) years from the date of issuance. Kerr has drawn against these facilities to meet its on-going working capital requirements, short term obligations and the payment of settlement amounts to various creditors. The Promissory Notes are secured by a general security agreement in the Copperstone Mine. The balance as of September 30, 2018 of $2,180,241 includes accrued interest of $180,241 (June 30, 2018 - $2,136,863 and $136,862 interest).

- The Company issued a convertible promissory note in the amount of US$2,054,570, to Northern Energy and Mining Inc. (the "Kerr Debenture"). The Kerr Debenture previously bore interest at the rate of 6% per annum. On August 27, 2015, an amending agreement was signed changing the rate of interest to 8% per annum and the principal amount owing to US$2,054,570 payable in full by December 15, 2015. This payment was not made and represented a default. On March 4, 2016, the Kerr Debenture was purchased by Tamimi.

  The Kerr Debenture was secured by a general security interest in the property of Bonanza Explorations Inc. and all the outstanding share capital of the Company's wholly-owned subsidiary Bonanza Exploration Inc. The principal amount of the Kerr Debenture is convertible into common shares of Kerr at the holder's option at a price of $0.90 per share.

  On August 22, 2016, Trans Oceanic agreed to amend the Kerr Debenture to have a maturity date of three years from the date of issuance of the amended note and a revised interest rate of 8% compounded monthly, payable quarterly, with no interest accrued or payable during the first year.

  The balance as of September 30, 2018 of $2,892,388 (US$2,234,367), includes accrued interest of $232,747 (US$179,797) (June 30, 2018 – 2,887,660 (US$2,192,938) and $182,203 (US$138,368) interest).

- On March 9, 2016, the Company arranged US$1,000,000 (CAD$1,289,400) under a convertible grid promissory note (March 2016 Convertible Promissory Note") pursuant to which the Company can draw upon for general working capital purposes with Trans Oceanic. The note bore interest at 15% compounded monthly and was payable on demand. The holder has the right to convert any part of the amount owing common shares of the Company at a conversion price of $0.065 per common share. No value was ascribed to the conversion feature as the note was repayable on demand. The note is secured by a general security agreement in the Copperstone Mine. As at June 30, 2016 the Company had drawn the full amount available of US$1,000,000.

  On August 22, 2016, Trans Oceanic amended both the March 2016 Convertible Promissory Note to have a maturity date of three years from the date of issuance of these amended notes and a revised interest rate of 8% compounded monthly, payable quarterly, with no interest accrued or payable during the first year. The note is secured by a general security agreement in the Copperstone Mine.

The balance as of September 30, 2018 of $1,308,969 (US$1,011,177) includes accrued interest of $116,666 (US$90,120) (June 30, 2017 – $1,306,457 (US$1,064,455) and $90,110 (US$68,431) interest).

- Long term loan payable was a promissory note ("Loan Payable") in the amount of $3,609,763 with no fixed terms of repayment and an interest rate of 8% payable to Braydon. As of September 30, 2018, the balance was $3,935,076, and includes accrued interest of $325,313 (June 30, 2018 - $3,856,783 and $247,020 interest).

The Company has presented as Promissory Notes, Kerr Debenture, March 2016 Convertible Promissory Note and Loan Payable as long-term liabilities as the Company and the related party are in discussion to extend the debt to August 2020.

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

Names	Three Months Ended September 30, 2018 $	Three Months Ended September 30, 2017 $
Marrelli Group (i)	8,138	nil
Silvergate Consulting (ii)	30,000	20,000
Braydon Capital Corporation (iii)	99,979	30,732
Trans Oceanic Minerals Corporation	104,185	34,987
Total	**242,302**	**85,719**

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

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

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

(ii) During the three months ended September 30, 2018 the Company expensed consulting fees to Silvergate Consulting, a company controlled by a director of the Company, to provide capital markets and investor relations services to the Company. The amounts paid or accrued to the firm relating to the services provided in the normal course of business for the three months ended

September 30, 2018, $30,000, (three months ended September 30, 2017 - $20,000). As at September 30, 2018, the company was owed $90,000 (June 30, 2018 - $60,000).

(iii) During the three months ended September 30, 2018 the Company accrued interest to Braydon for the promissory note payables and loan payable of $99,982 (three months ended September 30, 2017 - $30,732).

(iv) During the three months ended September 30, 2018 the Company accrued interest to TOMC for the promissory note payables and convertible promissory notes payable of $104,185 (three months ended September 30, 2017 - $34,987)

(c) Remuneration of directors and key management personnel of the Company was as follows:

	Three Months Ended September 30, 2018 $	Three Months Ended September 30, 2017 $
Salaries and Benefits	73,519	115,942
Total	**73,519**	**115,942**

Option-based payments [i]	Three Months Ended September 30, 2018 $	Three Months Ended September 30, 2017 $
Claudio Ciavarella (CEO and Director)	12,233	91,706
Martin Kostuik (President and Director)	12,233	91,706
Fahad Al-Tamimi (Director)	nil	26,284
Peter Damouni (Director)	nil	26,284
Ayman Arekat (Director)	nil	26,284
James McVicar (Director)	nil	26,284
Chris Hopkins (former CFO)	nil	26,284
Total	**24,466**	**314,832**

(i) The dollar values in respect of the options were arrived at using the Black-Scholes valuation model.

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

Off-Balance-Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Proposed Transactions

On November 6, 2018 the Company announced that it had received approval for and signed a term sheet for a finance facility with Sprott Resource Lending (Collector) LP for up to US$25 Million of senior secured project financing 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
- US$2 million senior gold loan facility (the "**Gold Loan**") repayable 18 months after closing
- US$21 million senior project loan facility (the "**Project Facility**") repayable 48 months after closing
- The Company will also raise US$2 million in equity as working capital

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

On November 9, 2018, the Company announced that in conjunction with the finance facility announced on November 6, 2018, the Company was raising $2.5 Million in equity by issuing up to 17,857,143 units. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of $0.21 per share for a period of 24 months from the date of issuance, provided, that if, at any time the common shares trade at a volume weighted average trading price of $0.30, or greater, per share for a period of 20 consecutive trading days. The Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company. The Company will use the net proceeds along with the funding from the financing facility provided by Sprott Resource Lending, see Press Release November 6, 2018, as working capital to fund the resource expansion, engineering and development at the Copperstone Mine.

Risk Factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's Annual Information Form dated September 28, 2018 and Annual MD&A dated September 28, 2018 (available on SEDAR at www.sedar.com).

Subsequent Event

On November 6, 2018 the Company announced that it had received approval for and signed a term sheet for a finance facility with Sprott Resource Lending (Collector) LP for up to US$25 Million of senior secured project financing to fund the development and production of gold at the Copperstone Mine.

The Highlights of the Financing Package include:

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