

**KERR MINES INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019**  
**EXPRESSED IN CANADIAN DOLLARS**

**Prepared by:**

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## **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") constitute management's review of the factors that affected the Company's financial and operating performance for the three months ended September 30, 2019. 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, 2019, 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, 2019 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as of November 13, 2019, 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](http://www.kerrmines.com) or on the System for Electronic Documents Analysis and Retrieval (SEDAR) at [www.sedar.com](http://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.

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Forward-looking statements	Assumptions	Risk factors
<p>Potential of Kerr's interests to contain economic deposits of gold production.</p>	<p>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.</p>	<p>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.</p>
<p>The Company's cash balance at September 30, 2019, is sufficient to fund its consolidated operating expenses in the short term with additional funds required for the longer term. As at September 30, 2019, the Company's consolidated cash balance is \$69,522</p>	<p>The operating and exploration activities of the Company for the twelve-month period ending September 30, 2020, 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.</p>	<p>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.</p>

<p>Management's outlook regarding future trends (see "Trends").</p>	<p>Financing will be available for the Company's operating activities and longer-term price of gold will be favourable to the Company.</p>	<p>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 will impact the context of the Capital Markets.</p>
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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 and two Arizona State mineral leases covering an area of approximately 12,259 acres or 50 square kilometers. 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 by way of 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. Past existing infrastructure that remains or which had been subsequently constructed, inclusive of underground mine development by the Company's predecessor, American Bonanza Gold Corp, is considerable and serves to reduce the current capital requirements for the resumption of mining. 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 contemplated operations at the Copperstone Mine. In addition, the Copperstone Mine is permitted for operation.

As outlined in the National Instrument 43-101 Technical Report: Preliminary Feasibility Study for the Copperstone Project, La Paz County, Arizona, USA" dated May 18, 2018. prepared by Hard Rock Consulting, LLC and endorsed by Zachary J. Black, SME-RM; J.J. Brown, P.G., SME-RM, Jeff Choquette, P.E., MMSA-QP; Deepak Malhotra, PhD, SME-RM each of whom are independent "Qualified Persons" as defined in NI 43-101 (the "**Copperstone Report**"), 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 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 a Mining 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).

On July 18, 2018, the Company announced the signing of a letter of intent for US\$27.6 Million with Pandion Mine Finance ("Pandion") for project financing and made a positive production decision. Resulting from the subsequent project financing packages entered into with Sprott Resource Lending (Collector) LP discussed below the Company terminated discussions with Pandion.

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 "**Sprott Project Financing Package**").

The Highlights of the Sprott Project Financing Package include:

- US\$2 million senior redeemable convertible note (the "**Sprott Note**") with a 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
- US\$21 million senior project loan facility repayable 48 months after closing

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

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

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

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

On January 8, 2019, the Company provided an operational update that included: that the Company had engaged Major Drilling International to commence a resource expansion program focused on mine life extension within the C & D zones of the Copperstone Zone; that the Company is well under way with the minor modifications to its existing permits and that the Company was proceeding with additional Metallurgical work to validate prior findings and to assess the economic viability of incorporating a SART system to exploit Copper as a by-product revenue source.

On January 31, 2019, the Company announced the appointment of Mr. Giulio T. Bonifacio as a new member to the Board of Directors. Mr. Bonifacio was the founder and CEO of Nevada Copper Corp. since inception in 2005 until 2018. He is a CPA with extensive experience in the capital markets, securities matters, project finance while also leading efforts at every stage of development from exploration, permitting, construction and production. Mr. Bonifacio was also the Co-Founder and Director of American Bonanza Gold Corp. from 2002 – 2012 during the initial development and advancement of the Copperstone Project into a high-grade underground mining opportunity.

On February 5, 2019, the Company announced Phase II resource expansion program commenced at the Copperstone Mine located in Arizona, USA. In addition, Kerr has received a key environmental permit modification and is continuing with advanced metallurgical testing.

On February 26, 2019, the Company announced is achieved a 97% Gold Recovery from Metallurgical Test Work.

On April 4, 2019, the Company released its 2019 Resource Expansion Highlights:

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- Drill hole 18-08A-02 returned an interval of 12.2 meters at 11.7 g/t Au, including 3 meters of 38.3 g/t Au, indicating the zone is higher grade and thicker than initially anticipated with an effective mining width of 17.7 meters;
- Additional intervals include 6.1 meters @ 5.8 g/t Au (18-05A-01); 4.6 meters @ 9.8 g/t Au (18-05A-06) and 4.6 meters @ 18.3 g/t Au (18-08A-03);
- Established continuity between previously drilled mineralized intercepts in the existing Inferred category while extending mineralization along strike and dip;
- Drilling is being accomplished entirely from existing underground access and will affect an area of 500 meters of strike length and 200 meters of elevation, representing approximately 33 per cent of the current resource strike length. The program was designed to increase confidence in the mineral reserve, particularly the portion scheduled for the first three years of production in the recently completed Pre-Feasibility Study (PFS).
- The objective of the underground resource expansion program is to increase mine life by adding new Inferred resources and converting new and existing Inferred resources into Measured and Indicated resources. Updating the mine plan with the new resources will be the final step towards extending mine life once all drilling results have been received; and,
- Resource Expansion underground drilling program of up to 10,000 meters is currently focused on the D and C areas of the Copperstone zone.

On April 15, 2019, the Company announced the appointment of Mr. Giulio T. Bonifacio as Chief Executive Officer and completed a non-brokered private placement of 3,350,000 units of the Company at a price of \$0.14 per unit for gross proceeds of \$469,000. Mr. Bonifacio subscribed for 3,000,000 units of the offering and Peter Damouni, a director of the Company, subscribed for 350,000 units of the offering. Claudio Ciavarella resigned from the Chief Executive Officer position and was appointed Executive Vice Chair.

On May 1, 2019, the Company released its 2019 Resource Expansion Highlights:

- Drill hole 18-21-06, an exploration step-out hole returned an interval of 16.8 meters at 40.0 g/t gold, including 3 meters of 98.3 g/t gold further indicating the zone is significantly of higher grade and thickness than initially anticipated with a total effective mining width of 17.9 meters;
- Drill hole 18-21-04, an exploration step-out hole returned an interval of 10.7 meters at 17.5 g/t gold, including 6.1 meters of 29.5 g/t gold with a total effective mining width of 12 meters;
- Continued to establish continuity between previously drilled mineralized intercepts in the existing Inferred category while extending mineralization along strike and dip;
- Drilling is being accomplished entirely from existing underground access and will affect an area of 500 meters of strike length and 200 meters of elevation, representing approximately 33 per cent of the current resource strike length. The program was designed to increase confidence in the mineral reserve, particularly the portion scheduled for the first three years of production in the recently completed Pre-Feasibility Study;
- The objective of the underground resource expansion program is to increase mine life by adding new inferred resources and converting new and existing Inferred resources into Measured and

Indicated resources. Updating the mine plan with the new resources will be the final step towards extending mine life once all drilling results have been received; and,

- Resource Expansion underground drilling program of up to 10,000 meters is currently focused on the D and C zones of the Copperstone mine.

On June 5th, 2019, the Company released additional results from its drill program

- Drill hole 18-21A-05, an exploration step-out hole, returned an interval of 6.1 meters at 15.02 g/t gold, including 3 meters of 22.4 g/t gold further indicating the zone is significantly of higher grade and thickness than initially anticipated with a total effective mining width of 13.1 meters;
- Drill hole 18-04-01, a conversion hole returned, an interval of 6.1 meters at 15.91 g/t gold, including 4.6 meters of 21.02 g/t gold with a total effective mining width of 3.2 meters; and,

Continued to establish continuity between previously drilled mineralized intercepts in the existing Inferred category while extending mineralization along strike and dip.

On July 9<sup>th</sup>, 2019, the Company released final results from the first phase of its 2019 Resource Expansion program

- Drill Hole 18-18-02, a conversion hole, returned a high-grade gold mineralized interval of 3 meters at 27.45 g/t gold, including 1.5 meters of 52.30 g/t gold (See Figure 2), in an area where additional down-dip step-out drilling is planned for the next phase of drilling while further indicating the zone is significantly of higher grade and thickness than initially anticipated.
- Drill Hole 18-05-06, a conversion hole, intercepted Indicated resource of 6.1 meters at 3.71 g/t gold, which along with an intercept in nearby drill hole 18-05A-06 of 7.6 meters at 3.80 g/t gold, demonstrates the width and strong continuity of mineralization in this area and is expected to allow for the expansion of a designed stope panel, the edge of which is 15.2 meters down-dip.
- Drilling was accomplished entirely from existing underground access and affects an area of 500 meters of strike length and 200 meters of elevation, representing approximately 30 per cent of the current resource strike length.
- The objective of the underground resource expansion program of which the initial phase of 5,000 meters of reverse circulation drilling has been completed, was focused on the D and C zones to increase mine life by adding new Inferred resources and converting new and existing Inferred resources into Measured and Indicated resources.

On September 5, 2019 Mr. Bonifacio exercised 2,200,000 stock options at an exercise price of \$0.125 per share for total gross proceeds of \$275,000.

On September 19th, 2019, the Company announced the granting of another key environmental permit modification. The permit modification received is the Arizona Department of Environmental Quality Aquifer Protection Permit which regulates water quality.

At September 30, 2019, the Company had assets of \$17,965,626 (June 30, 2019 - \$18,465,142) and a net equity position of \$1,372,783 (June 30, 2019 – \$1,512,411). At September 30, 2019, the Company had



current liabilities of \$2,689,998 (June 30, 2019 - \$697,666). The Company had net exploration and evaluation expenditures of \$565,830, respectively during the three months ended September 30, 2019 (three months ended September 30, 2018 - \$914,196, respectively) on its gold interests.

### **Current and Future Plans Related to Exploration Activities**

In May 2018, the Company released the Copperstone Report, a prefeasibility study on the Copperstone Project that included updated resource and reserve estimates. Subsequent to the release of the Copperstone Report, the Company initiated a Resource Expansion Program aimed at increasing mine life through upgrading and converting Inferred Resources into Measured & Indicated Resources and at adding new Inferred Resources near existing development. The second phase of the program commenced in January 2019 and is continuing.

### **Outlook**

Over the next 12 to 18 months the Company is focused on delivering shareholder value in the following ways:

- Continue to execute on its Resource Expansion Program consisting of exploration drilling with the goal of adding new resources and in-fill drilling for the purposes of converting existing resources to higher classification and inclusion into Proven and Probable Reserves.
- Continue to advance the Copperstone Project with the goal of achieving commercial production in 2020 with a development plan for production of up to approximately 35,000 to 40,000 ounces of gold per annum at a current mine life of 4-5 years, which will include:
  - Obtaining minor permit modifications, which are well underway. The State Air permit modification was received in February 2019. The State Water permit modification was received in September 2019 and Federal Mine Plan of Operation modifications are expected to be received by Q4 2019. All remaining permits required for mine operations and gold production are in place and do not require modification.
  - Completing metallurgical testing to provide information for detailed gold processing plant design and detailed engineering for the mine and mill.
  - Undertaking mobile and fixed equipment purchases.
  - Enhancing existing mine development to provide access to newly defined mining areas.
  - Continuing efforts to further optimize the project including advancing detailed engineering and project costing related to the mine and mill.
  - Pursuing the necessary project financing pursuant to the Sprott Project Finance Package (subject to achieving prescribed milestones) or otherwise while considering alternative forms of project financing that could reduce the effective cost of capital.

### *Operational Update*

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 meters 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.

- 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 while confirming the deposit is open for further expansion along strike and dip.

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;

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- 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.

On January 8, 2019, the Company provided an operational update that included: that the Company had engaged Major Drilling International to commence a resource expansion program focused on mine life extension within the C & D zones of the Copperstone Zone; that the Company is well under way with the minor modifications to its existing permits and that the Company was proceeding with additional Metallurgical work to validate prior findings and to assess the economic viability of incorporating a SART system to exploit Copper as a by-product revenue source.

On February 5, 2019, the Company announced that the Phase II resource expansion program has commenced at the Copperstone Mine located in Arizona, USA. In addition, Kerr has received a key environmental permit modification and is continuing with advanced metallurgical testing.

On February 26, 2019, the Company announced that it had achieved 97% Gold recovery from Whole Ore Leach metallurgical testwork. The testwork resulted in higher gold recoveries than were indicated in the 2018 PFS (97% vs. 95%) and up to US\$2.50 per ton milled lower operating costs due to lower reagent consumption.

On April 4, 2019, the Company announced initial results from its Phase II underground resource expansion program. Highlights include drill hole 18-08A-02 returning an interval of 12.2 meters at 11.7 g/t gold, **including 3 meters of 38.3 g/t gold**, indicating the zone is higher grade and thicker than initially anticipated with an effective mining width of 17.7 meters; Other highlights include:

- 18-05A-01 returning 6.1 meters @ 5.8 g/t gold;
- 18-05A-06 returning 4.6 meters @ 9.8 g/t gold and;
- 18-08A-03 returning 4.6 meters @ 18.3 g/t gold.
- Established continuity between previously drilled mineralized intercepts in the existing Inferred category while extending mineralization along strike and dip;
- Drilling is being accomplished entirely from existing underground access and will affect an area of 500 meters of strike length and 200 meters of elevation, representing approximately 33 per cent of the current resource strike length. The program was designed to increase confidence in the mineral reserve, particularly the portion scheduled for the first three years of production in the recently completed Pre-Feasibility Study (PFS);

- The objective of the 10,000 meter underground resource expansion program is to increase mine life by adding new Inferred resources and converting new and existing Inferred resources into Measured and Indicated resources in the C & D areas of the Copperstone zone. Updating the mine plan with the new resources will be the final step towards extending mine life once all drilling results have been received.

On May 1, 2019, the Company announced further results from its Phase II underground resource expansion program. Highlights include drill hole 18-21-06, an exploration step-out hole, returned an interval of **16.8 meters at 40.0 g/t gold, including 3 meters of 98.26 g/t gold** further indicating the zone is significantly of higher grade and thickness than initially anticipated with a total effective mining width of 17.9 meters. Other highlights include:

- 18-21-04, an exploration step-out hole, returning 10.7 meters **at 17.49 g/t gold, including 6.1 meters of 29.45 g/t gold** with a total effective mining width of 12 meters;
- 18-05E-07 returning 4.6 meters at 9.48 g/t gold and
- 18-01A-04 returning 3.0 meters @ 8.0 g/t gold;
- Continued to establish continuity between previously drilled mineralized intercepts in the existing Inferred category while extending mineralization along strike and dip

On June 5th, 2019 the Company released additional results from its drill program

- Drill hole 18-21A-05, an exploration step-out hole, returned an interval of 6.1 meters at 15.02 g/t gold, including 3 meters of 22.4 g/t gold further indicating the zone is significantly of higher grade and thickness than initially anticipated with a total effective mining width of 13.1 meters;
- Drill hole 18-04-01, a conversion hole returned, an interval of 6.1 meters at 15.91 g/t gold, including 4.6 meters of 21.02 g/t gold with a total effective mining width of 3.2 meters; and,
- Continued to establish continuity between previously drilled mineralized intercepts in the existing Inferred category while extending mineralization along strike and dip.

On July 9<sup>th</sup>, 2019, the Company released final results from the first phase of its 2019 RC drill program

- Drill Hole 18-18-02, a conversion hole, returned a high-grade gold mineralized interval of 3 meters at 27.45 g/t gold, including 1.5 meters of 52.30 g/t gold (See Figure 2), in an area where additional down-dip step-out drilling is planned for the next phase of drilling while further indicating the zone is significantly of higher grade and thickness than initially anticipated.
- Drill Hole 18-05-06, a conversion hole, intercepted Indicated resource of 6.1 meters at 3.71 g/t gold, which along with an intercept in nearby drill hole 18-05A-06 of 7.6 meters at 3.80 g/t gold, demonstrates the width and strong continuity of mineralization in this area and is expected to allow for the expansion of a designed stope panel, the edge of which is 15.2 meters down-dip.
- Drilling was accomplished entirely from existing underground access and affects an area of 500 meters of strike length and 200 meters of elevation, representing approximately 30 per cent of the current resource strike length.
- The objective of the underground resource expansion program of which the initial phase of 5,000 meters of reverse circulation drilling has been completed, was focused on the D and C zones to increase mine life by adding new Inferred resources and converting new and existing Inferred resources into Measured and Indicated resources.

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On September 19, 2019, the Company announced the granting of another key environmental permit modification. The permit modification received is the Arizona Department of Environmental Quality Aquifer Protection Permit which regulates water quality.

**Technical Disclosure**

Scientific and Technical information in this AIF has been reviewed and approved by Michael R. Smith, SME Registered Member (Geology), and a "qualified person" under NI 43-101.

**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 Assets (\$)
		Total (\$)	Per Share (\$)	
September 30, 2019	-	1,372,096	0.00	17,965,626
June 30, 2019	-	3,323,212	0.01	18,465,142
March 31, 2019	-	2,327,192	0.01	20,104,161
December 31, 2018	-	2,182,851	0.01	22,626,901
September 30, 2018	-	1,179,153	0.00	19,012,390
June 30, 2018	-	274,423	0.00	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

**Discussion of Operations**

Three months ended September 30, 2019, compared with the three months ended September 30, 2018

Kerr's net loss totaled \$1,372,096 for the three months ended September 30, 2019, with basic and diluted loss per share of \$0.00. This compares with a net loss of \$1,179,153 with basic and diluted loss per share of \$0.00. The increase in the net loss of 192,943, was principally because:

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- For the three months ended September 30, 2019, the Company recorded a gain on the disposal of other assets of \$nil, compared to a gain of \$525,272 for the three months ended September 30, 2018, due to sale of McGarry assets to Orefinders Resources Inc.
- For the three months ended September 30, 2019, the Company recorded a loss of \$249,083 on conversion of US\$500,000 of debt by Sprott, compare to \$nil for the three months ended September 30, 2018.
- Exploration and evaluation expenditures for the three months ended September 30, 2019 were \$565,830 (three months ended September 30, 2018 - \$914,196).

### **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 \$69,522 at September 30, 2019 (June 30, 2019 - \$446,477). The decrease in cash of \$376,955 during the three months ended September 30, 2019 was primarily due to the cash used in operating activities of \$488,746 and cash provided by financing activities of \$111,791.

Cash used in operating activities was \$488,746 for the three months ended September 30, 2019. Operating activities were affected by changes in non-cash working capital balances because of decreases in amounts receivable of \$209,637, prepaid expenditures and other assets of \$106,048 and in accounts payable and accrued liabilities of \$43,648. The Company also recorded depreciation of equipment of \$92,968, share-based payment of \$8,632, accrued interest of 279,743, losses on conversion of convertible debt of \$245,483 and settlement of interest payable of \$20,779.

Cash provided by financing activities was \$111,791, for the three months ended September 30, 2019, primarily because the exercise of options.

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, 2019, the Company had 287,429,067 common shares issued and outstanding, 10,800,000 options that would raise approximately \$2,259,000 if exercised and vested in full, and 25,589,409 warrants outstanding that would raise approximately \$5,324,000, if exercised in full. This is not anticipated until the market price of the Company's traded common shares increases.

At September 30, 2019, the Company had a working capital deficiency of \$2,356,519 (June 30, 2019 working capital of \$165,244). 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.

In 2018, the Company closed a US\$2 million (CDN \$2.7 million) senior secured convertible note financing with Sprott Private Resource Lending (Collector) (the "Note"). In addition the Company received approval for and signed a term sheet for a finance facility with Sprott Resource Lending (Collector) LP for up to US\$25

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Million. 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 for the up to US\$25 Million, 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 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:

<b>Securities</b>	
Common shares	287,429,067
Issuable under options	13,000,000
Issuable under warrants	25,589,409
<b>Total Securities</b>	<b>326,018,476</b>

#### **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 2019 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, 2019. Based on that assessment, management concluded that the Company's ICFR were operating effectively at June 30, 2019, 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, 2019, 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:

#### Exploration and evaluation stage

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

#### Mineral properties

##### *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 reached consistent production of no less than 60% of planned volume for a period of 30 consecutive days. As of September 30, 2019 and June 30, 2019, the Copperstone mine had not met this target.

#### Functional currency

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.

#### Impairment of property, plant and equipment

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.

Share-based payments

The fair value of share-based payments are estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected life of the option, the volatility of the underlying share price, the risk free rate of return, and the estimated rate of forfeiture of options granted.

Allowance for expected credit losses

IFRS 9 Financial instruments introduces an expected credit loss ("ECL") impairment model applicable to all debt instruments within financial assets classified as amortized cost or at fair value through other comprehensive income ("FVTOCI"), as well as certain off-balance sheet loan commitments. The general principle of the ECL model is to reflect the pattern of deterioration or improvement in the credit quality of the associated financial instruments. The calculated allowance is designed to be an unbiased and probability-weighted amount that has been determined by evaluating possible outcomes; the time value of money; reasonable and supportable information about past events; and current and forecasted economic conditions. Prior to January 1, 2018, credit losses were recognized under an incurred loss model under IAS 39. The IFRS 9 ECL approach has three stages:

Stage 1 – includes financial instruments that have not had a significant increase in credit risk since initial recognition, or that have low credit risk at the reporting date. An ECL equal to expected credit losses resulting from default events over the next 12 months is recognized and interest revenue is calculated on the assets' gross carrying amounts;

Stage 2 – includes financial instruments that have had significant increase in credit risk since initial recognition, but for which there is no objective evidence of impairment at the reporting date. An ECL equal to expected credit losses resulting from default events over the assets' lifetime ("lifetime ECL") is recognized and interest revenue is calculated on the assets' gross carrying amounts. In general, an asset's lifetime is considered to be its remaining contractual lifetime;

Stage 3 – includes financial instruments that have objective evidence of impairment at the reporting date. The lifetime ECL is recognized and interest revenue is calculated on the assets' net carrying amounts, which are determined as the asset amount net of their lifetime ECL.

**Capital Management**

The Company manages its capital with the following objectives:

- 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, administrative and exploration and development expenditures to advance the Copperstone project, and
- 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.

The Company has promissory notes payable, convertible promissory notes 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, 2019 amount to \$15,129,773 (June 30, 2019- \$15,025,187). 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

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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.

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, 2019.

**Financial Instruments**

Fair value hierarchy - IFRS 7, Financial instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;  
 Level 2: Valuation techniques based on 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: Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Marketable securities and restricted investments are marked to market at each period end and so the carrying amount also represents the fair value. Both are classified as level 1 financial instruments.

In these consolidated financial statements, classification of financial assets and liabilities measured at fair value is as follows:

<b>As at September 30, 2019</b>	<b>Level 1 \$</b>	<b>Level 2 \$</b>	<b>Level 3 \$</b>
Marketable securities	2,519	-	-
Restricted cash	1,080,605	-	-
Derivative in convertible promissory notes payable	-	(366,494)	-
Decommissioning liabilities	-	-	(2,298,211)
<b>Totals</b>	<b>1,083,124</b>	<b>(366,494)</b>	<b>(2,298,211)</b>

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<b>As at June 30, 2019</b>	<b>Level 1 \$</b>	<b>Level 2 \$</b>	<b>Level 3 \$</b>
Marketable securities	2,519	-	-
Restricted cash	1,067,876	-	-
Derivative in convertible promissory notes payable	-	(430,295)	-
Decommissioning liabilities	-	-	(2,271,222)
<b>Totals</b>	<b>1,070,395</b>	<b>(430,295)</b>	<b>(2,271,222)</b>

During the three months ended September 30, 2019 and the twelve months ended June 30, 2019, there were no transfers of amounts between fair value levels.

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, 2019, 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, 2019, the Company had cash of \$69,522 (June 30, 2019 - \$446,477) to settle current financial liabilities of \$2,689,998 (June 30, 2019 - \$697,666). 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.

	<b>Payments due by period</b>				
	<b>Total \$</b>	<b>Less than 1 year \$</b>	<b>1 – 3 years \$</b>	<b>4 – 5 years \$</b>	<b>After 5 years \$</b>
<b>Contractual obligations</b>					
Accounts payable and accrued liabilities	654,018	654,018	-	-	-
Promissory notes payable	6,622,884	-	6,622,884	-	-
Convertible promissory notes payable	6,976,958	2,035,980	4,940,978	-	-
Provisions	2,298,211	-	-	-	2,298,211
	<b>16,552,071</b>	<b>2,689,998</b>	<b>11,563,862</b>	<b>-</b>	<b>2,298,211</b>

#### 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 and cash equivalents balances are primarily transacted in Canadian dollars. The Company has exposure to foreign currency risk on its cash held in US bank and convertible promissory notes payable. As at September 30, 2019, the Company held US\$866,861 of monetary assets and held US\$7,259,366 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 \$319,000. 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**

##### Leases ("IFRS 16")

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

#### **New Standards not yet Adopted**

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.

#### **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,

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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 ("Promissory note 1") 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 notes are secured by a general security agreement in the Copperstone Mine. The long-term debt facility was amended by extending the maturity date to August 2020. The balance as of September 30, 2019 of \$2,361,199 includes accrued interest of \$361,199 (June 30, 2019 - \$2,314,220 and \$314,220 interest). Subsequent to the three months ended September 30, 2019, the maturity date was extended to January 20, 2021 (see "Subsequent Events" below).
- Braydon provided a promissory note ("Promissory note 2") in the amount of \$3,609,763 with no fixed terms of repayment and an interest rate of 8. The Promissory note was amended by extending the maturity date to August 2020. As of September 30, 2019, the balance was \$4,261,685, and includes accrued interest of \$651,922 (June 30, 2019 - \$4,176,893 and \$567,130 interest). Subsequent to the three months ended September 30, 2019, the maturity date was extended to January 20, 2021 (see "Subsequent Events" below).
- The Company issued a convertible promissory note in the amount of US\$2,054,570, to Northern Energy and Mining Inc. (the "Kerr Debenture I"). 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 I 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 I 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 I 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 Kerr Debenture I was amended by extending the maturity date to August 2020. The balance as of September 30, 2019 of \$3,212,254 (US\$2,425,624), includes accrued interest of \$491,387 (US\$371,054) (June 30, 2019 – 3,111,255 (US\$2,322,793) and \$422,439 (US\$322,793) interest). Subsequent to the three months ended September 30, 2019, the maturity date was extended to January 20, 2021 (see "Subsequent Events" below).

- On March 9, 2016, the Company arranged US\$1,000,000 (CAD\$1,289,400) under a convertible grid promissory note ("Kerr Debenture II") 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. 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.

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On August 22, 2016, Trans Oceanic amended the Kerr Debenture II 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 Kerr Debenture II was amended by extending the maturity date to August 2020.

The balance as of September 30, 2019 of \$1,563,468 (US\$1,180,600) includes accrued interest of \$239,168 (US\$180,600) (June 30, 2019 – \$1,514,310 (US\$1,157,110) and \$205,610 (US\$157,110) interest). Subsequent to the three months ended September 30, 2019, the maturity date was extended to January 20, 2021 (see "Subsequent Events" below).

- During the three months ended September 30, 2019, the amount outstanding on June 30, 2019 of \$202,013 due to the Company by Trans Oceanic for the sale of the shares of Orefinders and PowerOre was repaid in full.

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

Names	Three Months Ended September 30, 2019 \$	Three Months Ended September 30, 2018 \$
Marrelli Group <sup>(i)</sup>	12,849	8,138
Silvergate Consulting <sup>(ii)</sup>	-	30,000
Peterson McVicar LLP ("Peterson") <sup>(iii)</sup>	10,205	-
Braydon Capital Corporation <sup>(iv)</sup>	108,281	99,979
Trans Oceanic Minerals Corporation <sup>(v)</sup>	102,721	104,185
<b>Total</b>	<b>234,056</b>	<b>242,302</b>

(i) During the three months ended September 30, 2019 the Company paid professional fees and disbursements of \$12,849, (three months ended September 30, 2018 - \$8,138) to Marrelli Support Services Inc., DSA Corporate Services Inc., DSA Filing Services Limited, Marrelli Press Release Services together known as the "Marrelli Group", for:

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

These services were incurred in the normal course of operations for general accounting and financial reporting matters. As at September 30, 2019, the Marrelli Group was owed \$15,519 (June 30, 2018 - \$11,235).

(ii) During the three months ended September 30, 2019 the Company expensed consulting fees to Silvergate Consulting, a company controlled by a director of the Company, to provide capital markets and investor relations services to the Company. The amounts paid or accrued to the firm

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relating to the services provided in the normal course of business for the three months ended September 30, 2019 was \$nil, (three months ended September 30, 2018 - \$30,000).

- (iii) A director is a partner in a legal firm that provided legal services to the Company. The amounts paid or accrued to the firm relating to services provided in the normal course during the three months ended September 30, 2019 was \$10,205 (three months ended September 30, 2018 - \$nil). The amounts owing to the firm as at September 30, 2019 was \$22,556 (June 30, 2018 - \$13,311).
- (iv) During the three months ended September 30, 2019 the Company accrued interest to Braydon for the promissory note payables and loan payable of \$108,281, (three months ended September 30, 2018 - \$99,979).
- (v) During the three months ended September 30, 2019, the Company accrued interest to TOMC for the promissory note payables and convertible promissory notes payable of \$102,721, (three months ended September 30, 2018 - \$104,185).

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

	Three Months Ended September 30, 2019 \$	Three Months Ended September 30, 2018 \$
Salaries and Benefits	74,273	73,519
Consulting	87,500	-
<b>Total</b>	<b>161,773</b>	<b>73,519</b>

	Three Months Ended September 30, 2019 \$	Three Months Ended September 30, 2018 \$
<b>Option-based payments <sup>(i)</sup></b>		
Claudio Ciavarella (Vice Chair and Director)	3,191	12,233
Martin Kostuik (President and Director)	3,191	12,233
<b>Total</b>	<b>6,382</b>	<b>24,466</b>

- (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**

There are no proposed transactions of a material nature being considered by the Company at the date of this MD&A.

### **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 30, 2019 and Annual MD&A dated September 30, 2019 (available on SEDAR at [www.sedar.com](http://www.sedar.com)).

### **Subsequent Events**

- On November 5, 2019, the Company granted 2,200,000 stock options a director and officer of the Company with an exercise price of \$0.135 for a period of 5 years. The options vest immediately.
- Subsequent to September 30, 2019, on November 13, 2019, the Company amended the promissory notes 1 and 2 and the Kerr debentures I and II by extending the maturity date from August 2020 to January 20, 2021 due to Braydon and Trans Oceanic.