



**MANAGEMENT DISCUSSION AND ANALYSIS
For the nine month period ended March 31, 2017**

Dated: May 15, 2017

This Management Discussion and Analysis (“MD&A”), including appendices, is intended to help the reader understand Kerr Mines Inc. (“Kerr”, “Kerr Mines” or the “Corporation”), our operations, and the business environment in which we operated during the period covered by the discussion herein. This MD&A has been prepared as at May 15, 2017 and covers the results of operations for the nine months ended March 31, 2017 and 2016. It is intended to supplement the Financial Statements and Notes thereto which are expressed in Canadian Dollars and prepared in accordance with International Financial Reporting Standards (“IFRS”). This MD&A should be read in conjunction with the audited consolidated financial statements and related notes for the fiscal years ended June 30, 2016 and 2015. Additional information relating to the Corporation is available from the Corporation’s Annual Information Form filed with the Canadian securities regulators on SEDAR at www.sedar.com.

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FORWARD-LOOKING DISCLAIMER

Certain statements in this document may be considered to be “forward-looking statements”. These statements relate to future events or Kerr Mines Inc. (“the Corporation”) future performance. Such statements are made as of the date hereof or as of the date specified in such statement. 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 state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Management believes that any forward-looking statements are based upon reasonable assumptions, but can give no guarantees or assurances that actual results will be consistent with such statements.

Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, but are not limited to, the following:

- risks and uncertainties relating to the interpretation of drill results, the geology, grade, and continuity of mineral deposits, and conclusions of economic evaluations;
- results of scoping studies and the possibility that future exploration, development or mining results will not be consistent with the Corporation’s expectations;
- risks relating to possible variations in resources, grade, planned mining dilution, and ore loss, or recovery rates and changes in project parameters as plans continue to be refined;
- mining and development risks, including risks related to accidents, equipment breakdowns, labour disputes (including work stoppages and strikes) or other unanticipated difficulties with or interruptions in exploration and development;
- the potential for delays in exploration or development activities or the completion of feasibility studies;
- risks related to the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses;
- risks related to commodity price and foreign exchange rate fluctuations;
- risks related to global financial conditions;
- the uncertainty of profitability based upon the cyclical nature of the industry in which the Corporation operates;
- risks related to failure to obtain adequate financing on a timely basis and on acceptable terms;
- risks related to delays in obtaining governmental approvals or in the completion of development or construction activities;
- risks related to environmental regulation and liability;
- inherent risks associated with underground mining operations;
- risks related to trucking the Corporation’s ore to third-party plants for milling, refining, and selling gold, and risks of disruptions at the third-party plants milling and refining the Corporation’s ore and concentrate;
- risks relating to the acquisition and maintenance of the necessary licenses and permits;
- risks relating to the availability of and ability to retain skilled labour;
- risks related to title to properties, property interests, and First Nations’ title claims and rights;
- loss of key personnel, conflict of interest, and dependence on management;
- changes in mining legislation adversely affecting operations; and
- political and regulatory risks associated with mining and exploration.

Readers are cautioned that the foregoing list is not exhaustive of the factors that may affect the forward-looking statements. Additional risk factors are described in the “Risks and Uncertainties” section below. Readers should not place undue reliance on any forward-looking statements contained herein. Kerr assumes no obligation to update any forward-looking statement or to update the reasons why actual results could differ from such statements unless required by law. If the Corporation 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.

CORPORATE OVERVIEW AND STRATEGY

Corporate Summary

The Corporation was incorporated on June 29, 1984 under the *Business Corporations Act* (Ontario). The Corporation continued under the *Canada Business Corporations Act* on November 9, 1987 and amalgamated with Armistice Mines Limited on December 1, 1998 as Armistice Resources Ltd. The amalgamated Corporation continues to be governed by the *Canada Business Corporations Act*. On January 9, 2014 the Corporation announced that it had changed its name to Kerr Mines Inc. On July 25, 2014, the Corporation consolidated its outstanding common shares (the “**Common Shares**”) on a basis of fifteen pre-consolidation Common Shares for one post-consolidation Common Share. All references to the Common Shares or per common share amounts in this MD&A are stated on a post-consolidation basis.

The Corporation is a reporting issuer under applicable securities legislation in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Newfoundland & Labrador and New Brunswick. Its outstanding shares are listed on the Toronto Stock Exchange under the symbol “KER” and is also listed on the OTC and Frankfurt stock exchanges. The Corporation’s registered office is located at 365 Bay Street, Suite 400, Toronto, Ontario, M5H 2V1.

The Corporation owns the rights to several mineral projects located in North America. The core project is the Copperstone Project in Arizona, USA.

Core project

Kerr Mines acquired TSX listed American Bonanza on 27 June 2014 and with it the Copperstone Project. The Copperstone Project encompasses approximately 13.8 square miles (35.7 square kilometers) of mineral rights located in La Paz County, Arizona, about 19 miles north of Quartzsite, Arizona. The project occurs within the Arizona portion of the Prolific Walker Lane in the Southwestern United States. The project is the site of a past open pit mine operated by Cyprus Mines Corporation. Subsequently, American Bonanza developed an underground operation and concentrator. Since late 2014 the project has been on care and maintenance and a re-evaluation of the operations and resources is underway. The Company announced on October 19th, 2016 that preliminary dewatering and rehabilitation work had begun at Copperstone. This work has been completed and with access to key underground areas re-established, the Company will be aiming to complete a definition and expansion drilling program and updated resource model and mining plan. In January 2017 the Company announced it had hired JDS Energy and Mining Inc (“**JDS**”) to provide geological, engineering and economic evaluation consulting services to Kerr.

Non Core Projects

1. The McGarry Property is located in Virginiatown, Ontario, Canada. The McGarry Property consists of 34 contiguous patented mining claims, including three licences of occupation totalling approximately 1,200 acres. The infrastructure includes a 110-foot production-ready headframe, a three-compartment shaft to 2,290 feet below surface with two six-foot by six-foot hoisting compartments. In addition, 10-foot double-drum hoist capable of production hoisting at 1,000 tons per day to a depth of 4,400 feet. The site is currently on care and maintenance.
2. The former producing Kerr-Addison Mine property covering more than 2,000 acres and more than six kilometres of strike length along the Larder Lake-Cadillac Break. The Kerr-Addison Mine property lies adjacent to the McGarry Property. The Kerr-Addison Gold Mine was one of Canada’s largest gold producers, producing more than 11 million ounces of gold during a 58-year operating life from 1938 to 1996. Recent activity on this property has been limited to compilation of historical data.
3. The Bear Lake property straddles 13 km strike length of the Larder Lake-Cadillac Break and consists of the Cheminis, Fernland, and Bear Lake gold properties (100% owned) and the Swansea property (75%). The Barber Lake Property consists of 17 mining claims, including 2 mining licences of occupation, located contiguous to the western boundary of the McGarry Property, and were acquired from Bear Lake Gold in

November 2012. On April 26th, 2016 the Company closed the March 17th, 2016 announced transaction with Bonterra Resources Inc. (“Bonterra”) (TSXV: BTR) pursuant to which BonTerra acquired from Kerr Mines a 100% interest in the Larder Lake Property. Pursuant to the terms of the acquisition agreement dated March 16, 2016, between Bonterra and Kerr Mines, as amended, BonTerra has paid CDN\$200,000 and issued an aggregate of 10,000,000 common shares of Bonterra. In addition, BonTerra is obligated to make the following payments: (a) \$300,000 on or before December 26, 2016 (paid); (b) \$350,000 on or before April 26, 2017 (paid); and (c) \$300,000 on or before October 26, 2017 (paid). The 8,000,000 of the above noted shares were sold in December of 2016 to related parties for proceeds of \$2,000,000 and 2,000,000 shares were sold to an arm’s length party for proceeds of \$500,000.

Corporate Strategy and Outlook

The Company has largely completed a corporate initiative aimed at stabilizing the financial condition of the Company as detailed below in the section titled “Operational Highlights.”

The Company’s strategy continues to be to increase shareholder value and enhance its position as a gold exploration and development corporation by focusing efforts on developing the Copperstone Property and to monetize non core assets.

At Copperstone, the Company began preliminary dewatering and rehabilitation work in the late fall of 2016 and this is now complete. Following full dewatering and underground rehabilitation, the initial exploration program at Copperstone will be directed at prioritizing exploration targets (surface and underground) which will establish the geologic information necessary to form the basis of a Pre Feasibility Study. This results of this study will provide a decision point for bringing the mine to profitable production through sound engineering and innovative mine production practices.

Operational Highlights

Summary of significant events for the nine months ended March 31, 2017 and the subsequent period to May 15, 2017.

On July 11th, 2016, the Company announced the initial results of its debt restructuring initiative. The Company reached settlement agreements with trade creditors and certain debt holders representing \$8.4 million of the \$22.6 million of current liabilities outstanding as at March 31, 2016. The total amount of cash, common stock and future consideration paid in settling these debts was \$2.5 million. The Company issued or agreed to issue a total of 5,997,914 million common shares for certain debt settlement agreements, subject to final TSX approval which has been received.

In August 2016, the Company announced that it had entered into a series of agreements with various creditors in an effort to improve the Company's financial position. Key highlights of the transactions include;

- Net current working capital improved by \$21.5 million.
- The total value of the debt restructuring was \$9.2 million or 75% of the Company's outstanding debt.
- The agreements included settlement of debt for less than face value, conversion of debt to common shares of the Company (the "Common Shares") and conversion of short-term debt facilities to long-term debt facilities.
- The restructuring transactions replaced current liabilities with new long-term debt with maturities ranging from 24 to 36 months.
- The company had a new debt facility with access to \$2 million.
- A total of 62,497,914 Common Shares were issued pursuant to all of the above noted transactions bringing the total issued and outstanding Common Shares of the Company to 190,968,865. More specifically, the Company reached debt-restructuring agreements with TOMCL and Braydon Capital Corporation ("Braydon"), a company controlled by Claudio Ciavarella, a director, shareholder and creditor of Kerr. TOMCL elected to convert the entire \$1,350,000 of principal outstanding pursuant to a previously issued convertible promissory in December 2015 into 27,000,000 common shares in the capital of the Company (the "TOMCL Debt Conversion");
- TOMCL agreed to amend both the NEMI note (See March 4th, 2016 press release) and the March 2016 grid promissory note (See March 11th, 2016 press release) to have a maturity date of three (3) years from the date of issuance of these amended notes and a revised interest rate of 8%. As at June 30, 2016, the NEMI note had a balance of \$2,871,000 and the March 2016 note had a balance of \$1,331,000, both of which will now be classified as long term debt;
- TOMCL agreed to settle certain liabilities related to the restructuring initiatives incurred by TOMCL and payable by Kerr of \$1,576,318 in exchange for 10,000,000 Common Shares of the Company issued to TOMCL (the "TOMCL Private Placement");
- Braydon agreed to waive interest owing pursuant to a previously issued promissory note (the "Braydon Note") outstanding as of June 30, 2016 totalling \$1,753,292;
- Braydon agreed to convert \$1,500,000 of principal outstanding under the Braydon Note into 18,500,000 Common Shares (the "Braydon Private Placement");
- Braydon agreed to amend its residual debt of \$3,609,763 under the Braydon Note to have a maturity date of three (3) years from the date of issuance of the amended Braydon Note and a revised interest rate of 8%;
- Braydon and TOMCL each agreed to provide the Company with a long term debt facility of \$1,000,000 bearing interest at 8% and having a maturity date two (2) years from the date of issuance (the "Long Term Notes"). The Long Term Notes will provide Kerr with access to \$2,000,000 to meet its on-going working capital requirements, short term obligations and the payment of settlement amounts to various creditors. Kerr has drawn \$2,000,000 against these facilities to date.

On September 22nd, 2016, the Company announced the closing of the above mentioned transactions;

- the issuance of 27,000,000 common shares in the capital of the Company (“Common Shares”) to TOMCL Minerals Company Ltd (“TOMCL”) with respect to the conversion of the entire \$1,350,000 of principal outstanding pursuant to a previously issued convertible promissory note in December 2015 (the “TOMCL Debt Conversion”);
- the issuance of 10,000,000 Common Shares to TOMCL to settle certain liabilities related to the restructuring initiatives incurred by TOMCL and payable by Kerr of \$1,576,318 (the “TOMCL Private Placement”);
- the issuance of 18,500,000 Common Shares to Braydon Capital Corporation (“Braydon”) to convert \$1,500,000 of principal outstanding under a previously issued promissory note (the “Braydon Private Placement”); and
- the issuance of 1,000,000 Common Shares to Todd Morgan (“Morgan”) to settle a portion of the aggregate of \$513,515 of indebtedness owed to Morgan (“Morgan Settlement”).
- The Company obtained the required disinterested shareholder approval by way of a written consent in lieu of a shareholders meeting as previously stated in the August Press Release for the TOMCL Private Placement, Braydon Private Placement and Morgan Settlement and have submitted the final closing documents to the TSX for final approval.

On October 19th, 2016 the Company announced that it had commenced preliminary dewatering and rehabilitation activities at the Copperson Mine. With the assistance of contracted resources, personnel at the mine site have begun regulatory safety filings, site preparation, engineering, equipment repair and purchase and the procurement of required supplies.

On December 13th, 2016 the Company announced that it had disposed of 8,000,000 common shares in the capital of Bonterra Resources Inc. at a price of \$0.25 per share, being the market price at the time of transaction for gross proceeds to the Company of \$2,000,000. Kerr agreed to sell 4,000,000 shares to each of Braydon Capital Corporation, a company controlled and owned by Claudio Ciavarella who is a director of the Company and Trans Oceanic Minerals Company Ltd., a company controlled by Fahad Al Tamimi, the Company’s Chairman of the board of directors, The remaining 2,000,000 shares were sold to an arm’s length party for proceeds of \$500,000. Proceeds from the sale of these non-core assets will be used to execute the focused strategy aimed at re-starting production at the Copperstone mine.

On December 20th, 2016 the Company announced the appointment of Mr. Richard Patricio to the board of directors. Mr. Patricio is a qualified lawyer in Ontario and has over 15 years of experience working with and for public companies. Mr. Patricio has built a number of mining companies with global operations. This brings additional corporate governance and regulatory expertise to the Company.

On January 10th, 2017 the Company announced that it had engaged JDS Energy and Mining Inc. (“JDS”) to provide technical consulting services in support of the Company’s Copperstone mine in Arizona. Specifically, JDS will provide critical geological, engineering and economic evaluation consulting services to Kerr. JDS will provide the technical expertise to design and manage the mine’s definition drilling program, resource modeling and mine planning work that will form a new business plan to re-start the project.

On February 28, 2017 the Company announced that it had reached an agreement with Jubilee Gold Exploration Ltd. (“Jubilee”) (TSXV:JUB) to settle the accrued advance royalty payable. The companies have also revised their existing royalty agreement to remove all future advance royalty obligations relating to the McGarry property located in northern Ontario (“McGarry”). Under the existing royalty agreement, Jubilee was entitled to a quarterly advance royalty payment of approximately \$25,000 relating to the McGarry property. Approximately \$1,000,000 remained unpaid and was reported as a long-term payable of the Company. Kerr and Jubilee agreed to settle this liability for approximately \$100,000 payable in cash upon closing of the agreement. The Company also agreed to pay Jubilee \$100,000 in consideration for the cancellation of all future

advance royalty obligations. Jubilee will retain a 4% net smelter return attributable to production from McGarry if the price of gold exceeds US\$800 per ounce.

On March 2, 2017 the Company announced that it had successfully completed its preliminary dewatering program at its flagship Copperstone mine in Arizona and has started the next phase of its plan to define and expand current resources, and establish a new production plan. Completion of the dewatering program has allowed for underground rehabilitation work to provide access for underground activities consisting of diamond drilling (expansion and definition) and additional mine development. The Company intends to pursue concurrent underground development and exploration programs to define and expand current resources, and establish a new production plan for underground mining at Copperstone.

On March 29, 2017 the Company announced the addition of Mr. James McVicar to the Board of Directors and the resignations of Mr. Chris Irwin and Mr. Richard Patricio from the Board of Directors.

On April 11, 2017 the Company announced the appointment of Claudio Ciavarella as Chief Executive Officer and Martin Kostuik as President and Director effective immediately and the resignation of Gregory Gibson from the Board of Directors.

Summary of significant events for the year ended June 30, 2016

On March 4th, 2016, the Company announced that the Company's existing secured promissory note payable to Northern Energy & Mining Inc. in the aggregate amount of US\$2,138,329, inclusive of interest and fees, was purchased by a company controlled by Fahad Al Tamimi (what company??), Kerr's Chairman of the Board, a shareholder and creditor of Kerr.

On March 11th, 2016, the Company announced that it had arranged debt financings with Trans Oceanic Minerals Company Ltd ("TOMCL"), a company controlled by Fahad Al Tamimi, Kerr's Chairman of the Board, a shareholder and creditor of Kerr). On December 17, 2015, the TOMCL loaned the Company an aggregate of \$1,350,000 under a convertible promissory note (the "December Note") and on March 9, 2016, TOMCL loaned the Company up to US\$1,000,000 under a convertible grid promissory note (the "March Note") pursuant to which the Company can draw upon for general working capital purposes.

On April 26th, 2016, the Company closed the March 17th, 2016 announced transaction with BonTerra Resources Inc. as discussed above.

On May 5th, 2016, the Company announced that the conversion price on the previously announced \$1,350,000 December 17, 2015 convertible promissory note (the "December Note") had been changed to \$0.05 per common share.

On June 30th, 2016, at the annual and special meeting of shareholders the December Note and the March Note were approved by a majority of disinterested shareholders. Funds were advanced prior to the required shareholder approval of the conversion feature and as a result was considered to be a demand advance until shareholder approval was received on June 30, 2016.

On June 30th, 2016, at the annual and special meeting of shareholders the following directors were elected to the Board; Claudio Ciavarella, Gregory Gibson, Christopher Irwin, Gregory Smith, Fahad Al Tamimi, Peter Damouni and Ayman Arekat. Following the Meeting, Board of Directors accepted the resignation of Gregory Gibson as President and Chief Executive Officer and of Lisa McCormack as Corporate Secretary and approved the appointment of the following individuals: Fahad Al Tamimi – Chairman, Christopher Hopkins – Interim President and Chief Executive Officer & Chief Financial Officer and Chris Irwin – Corporate Secretary.

On June 30th, 2016 the Company also approved the following Board Committees and membership;

- Audit Committee: Greg Smith (Chair), Peter Damouni, Ayman Arekat
- Corporate Governance Compliance & Disclosure Committee: Chris Irwin (Chair), Peter Damouni, Ayman Arekat
- Compensation Committee: Fahad Tamimi (Chair), Claudio Ciavarella, Greg Gibson
- Health Safety and Environmental Committee Greg Gibson (Chair), Claudio Ciavarella, Ayman Arekat
- Nominating Committee: All Directors

Summary of significant events for the year ended June 30, 2015

On July 25th, 2014, the Corporation announced that it has filed articles of amendment giving effect to the consolidation (the “**Consolidation**”) of its issued and outstanding Common Shares, on a one (1) for fifteen (15) basis. The Consolidation was approved by shareholders at its annual and special meeting of shareholders held on December 19, 2013. Upon final confirmation by the Toronto Stock Exchange (the “**TSX**”), the post-Consolidation Common Shares and the post-Consolidation listed warrants of the Corporation (the “**Listed Warrants**”) began trading on the TSX on July 30, 2014 and August 1, 2014, respectively. The consolidated financial statements reflect the Consolidation. The Consolidation reduced the number of outstanding Common Shares from 1,323,580,852 to 88,238,723. Proportionate adjustments were made to the Corporation’s outstanding warrants, including the Listed Warrants and stock options. No fractional Common Shares were issued pursuant to the Consolidation and any fractional Common Shares have been rounded down to the nearest whole number.

On July 31st, 2014, the Company closed a \$3,000,000 offering. Pursuant to the terms of a share purchase agreement dated July 28, 2014 between the Company, Pinetree Resource Partnership (“Pinetree Partnership”) and Pinetree Capital Inc. (“Pinetree”), Kerr issued 6,666,667 common shares to the Pinetree Partnership in exchange for 6,666,667 common shares of Pinetree at a price for accounting purposes of \$0.40 per share resulting in a value of \$2,667,000. Kerr paid finder’s fees consisting of a cash commission equal to 5% of the gross proceeds of the offering paid through the issuance of 333,333 Kerr common shares and issued broker warrants to acquire up to 333,333 Kerr common shares at a price of \$0.60 per Kerr common share until July 31, 2016.

On October 2nd, 2014, Kerr announced that, further to its press release of August 27, 2014, it completed a private placement of 14.5 million units of the Corporation (the “**Units**”) at a price of \$0.30 per Unit for total aggregate proceeds of \$4.3 million. Each Unit was comprised of one Common Share and one-half of one Common Share purchase warrant (a “**Warrant**”), each Warrant entitling the holder thereof to acquire a Common Share at a price of \$0.39 per share until October 1, 2016.

On March 4, 2015 Kerr completed the first tranche of a non brokered private placement of 12.5 million units of the Corporation (the “**Units**”) at a price of \$0.30 per Unit for total aggregate proceeds of \$2.5 million. Each Unit was comprised of one Common Share and one-half of one Common Share purchase warrant (a “**Warrant**”), each Warrant entitling the holder thereof to acquire a Common Share at a price of \$0.30 per share until March 4, 2017.

OVERALL PERFORMANCE

The Corporation has not generated any operating revenue and its financial results may not be indicative of its longer term potential. Until such time as it is generating sufficient revenue from gold sales, Kerr expects to continue reporting operating losses.

Exploration and Development Summary

Copperstone Gold Mine

On October 14, 2015 the Corporation announced results of a drilling campaign conducted at the Copperstone Property. The drilling campaign consisted of four diamond drill holes with a total core length of 3,040 feet. The results confirmed and extended mineralization in two zones parallel to the main zone of the Copperstone mine. Details of the drill results can be found in the Corporation's press release dated October 14, 2015 and filed on the Corporation's profile on www.sedar.com.

The Corporation, through Bonanza Explorations Inc. ("**BEI**"), a wholly-owned subsidiary of American Bonanza, holds a 100% leasehold interest in the Copperstone Property. The landlord is The Patch Living Trust. The current lease expires June 12, 2025. The lease is renewable for one or more ten-year terms at the Company's option under the same terms and conditions. The Company is obligated to pay for all permitting and state lease bonding, insurance and taxes. . The Company is obligated to pay for all permitting and state lease bonding, insurance, taxes, and to pay a 1% production gross royalty with the royalty increasing to 6% if the price of gold is over US\$551 per ounce. Trans Oceanic Minerals Company Ltd., a company controlled by the Company's Chairman holds 75% of this royalty. The Company pays a minimum advance royalty per year of US\$30,000 to The Patch Living Trust.

All required property payments were made with respect to the Copperstone Property as of December 31, 2016, and all claims are currently in good standing.

As detailed above, the Company has completed the preliminary dewatering of the mine and is in the process of establishing a definition and expansion exploration drilling program in support of Pre Feasibility Study efforts at Copperstone.

Other

McGarry Property

The Corporation has an undivided 75% interest to a mineral property located in the southwestern part of McGarry Township, Ontario lying immediately west of the municipality of Virginiatown (the "**Resource Property**"). The McGarry Mine, which is still deemed to be in exploration and evaluation, is located in Virginiatown in Northeastern Ontario on the prolific Larder Lake-Cadillac Break that extends 200 km east-west, straddling the Ontario and Quebec border and that has produced 95 million ounces of gold. The property consists of 33 contiguous patented mining claims, including three licenses of occupation (the "**McGarry Property**") in McGarry Township totalling 484 hectares within the Larder Lake Mining Division of Ontario. The interest is held through an agreement with Jubilee Gold Inc. ("**Jubilee**") (formerly, Sheldon-Larder Mines Limited). The remaining 25% interest is a carried interest entitling Jubilee to a royalty as outlined in "Contractual Obligations" below. This results in complete control by the Corporation including 100% of any proceeds of production subject only to the royalty interest.

Barber Lake Property

The Barber Lake Property consisted of 15 patented claims and 2 mining licenses of occupation totaling 237 ha or 585 acres. The mining claims are located contiguous to the western boundary of the McGarry Property. The terms of the transaction were that the Corporation granted Bear Lake a 4% net smelter return royalty, subject to the Corporation's right to purchase 1% of the royalty for \$1,000,000 under certain circumstances. No exploration work other than compilation of historical data has been conducted on this Barber Lake Property.

Pursuant to a mining property acquisition agreement dated February 11, 2015, Kerr Mines sold all of its right, title and interest in and to two unpatented mining claims located in McGarry Township, in exchange for (i) an aggregate of \$225,000; and (ii) a 1% net smelter royalty on the McGarry Claims.

In connection with the terms of the transaction, Kerr agreed, among other things, to the termination of its option agreement with Kerr Jex Corporation, but retained a 1% net smelter return royalty on the Kerr Addison claims.

Mineral and Exploration Property Summary

During the nine months ended March 31, 2017, the Corporation incurred \$3,171,320 of exploration, evaluation and care and maintenance expenses compared to \$941,926 during the same period in 2016.

Below is a summary of funds spent on mineral properties acquired and capitalized to the statement of financial position as at March 31 2017 and June 30, 2016 and spent on exploration and evaluation expenditures expensed in the statement of operations and comprehensive income/(loss) during the nine months ended March 31, 2017 and 2016:

Mineral properties (statement of financial position):	March 31, 2017	June 30, 2016
Copperstone Property	\$ 7,270,465	\$ 7,270,465
Total	<u>\$ 7,270,465</u>	<u>\$ 7,270,465</u>
Exploration, evaluation and care and maintenance expenditure (statement of operations and comprehensive loss):	2017	2016
Bear Lake Property	\$ 58,514	\$ 17,197
McGarry Property	181,915	131,215
Copperstone Property	2,930,891	793,514
Total	<u>\$ 3,171,320</u>	<u>\$ 941,926</u>

With respect to the McGarry Property and Copperstone Property, highlights of the historical work performed are reported in the “Operational Highlights” section of this MD&A.

Exploration, evaluation and care and maintenance expenditures (in \$ thousands) at the McGarry Property, Copperstone Property, and other projects during the nine months ended March 31, 2017 and 2016 include the following:

	McGarry Project		Copperstone Project		Bear Lake Project		Total	
	31 03 2017	31 03 2016	31 03 2017	31 03 2016	31 03 2017	31 03 2016	31 03 2017	31 03 2016
Labour	56	38	471	189	-	-	527	227
Underground Development	-	-	686	97	-	-	686	97
Mining Equipment	-	-	-	-	-	-	-	-
Drilling	-	-	-	281	-	-	-	281
Lab & drill core photo	-	-	-	-	-	-	-	-
Geology	-	-	-	-	-	-	-	-
Energy	9	15	107	72	13	-	129	87
Processing	-	-	-	16	-	-	-	16
Site Services	-	-	-	6	-	-	-	6
Environment	-	-	11	1	-	-	11	1
Consulting	47	-	1,656	-	-	-	1,703	-
Royalty	53	78	-	-	30	-	83	78
Gold Recovery	-	-	-	-	-	-	-	-
Property Acquisition	-	-	-	-	-	-	-	-
Legal Fees	-	-	-	-	-	-	-	-
Property Taxes	17	-	-	132	16	17	33	149
Total	<u>182</u>	<u>131</u>	<u>2,931</u>	<u>794</u>	<u>59</u>	<u>17</u>	<u>3,172</u>	<u>942</u>

Summary of Historic Exploration Activities

Property	Summary of Completed Activities
McGarry Property exploration	Two underground exploration holes have been completed during this period, for a total of 5240 ft., (~1720m). Several intervals of low grade gold mineralization were intersected in the drilling with the best intersection being 5.76g/t gold over 5 feet.
McGarry development	<p>Completed 230 feet of sill drifting in the 325 North area, including 90 feet of raise development.</p> <p>Four separate stope blocks were partially mined for a combined total of 1620 tons, to confirm continuity and grades of mineralized zones.</p> <p>Completed underground drilling of 14 holes for a combined total of 4541 feet, designed to define possible mineralized zones.</p> <p>Underground diamond drill program completed 8 holes for a total of 2848 feet. Two holes drilled to test possible carbonate zones north of the current underground workings failed to reach target. Six holes drilled to test the mineralized structure along the contact of mafic and ultramafic rocks.</p>
Kerr-Addison Property	Work has been limited to compilation of existing data on this project. Paper data which has been recovered has been digitized and compiled.
Copperstone Property	Four diamond drill holes with a total core length of 3,040 feet confirmed and extended mineralization in the parallel Lower Plate Zone as well as adding an additional potential zone at the latite–phyllite contact. Both zones are open along strike and dip and require additional exploration. The goal of this phase of drilling was to follow up on previous intersections and to extend the zone along strike and dip towards current underground access allowing for potential future development in conjunction with the main Copperstone zones.

SUMMARY OF QUARTERLY RESULTS

The following information relates to the Corporation's eight most recently completed quarters. The Company is not at the stage of commercial production and, therefore, the Corporation does not have a source of revenue.

Quarterly Results

	Q3	Q2	Q1	Q4
	31-Mar-17	31-Dec-16	30-Sep-16	30-Jun-16
	(\$)	(\$)	(\$)	(\$)
(Expenses)	(2,308,897)	(1,440,586)	(763,534)	1,247,268
Other income (expenses)	2,718,060	(1,330,296)	2,796,390	3,148,335
Net income (loss)	409,163	(2,770,882)	2,032,856	4,395,602
Comprehensive Income (Loss)	(1,004,541)	(356,761)	(103,852)	1,867,313
Loss Per Share - basic and dilute	(0.00)	(0.01)	0.01	0.02

	Q3	Q2	Q1	Q4
	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15
	(\$)	(\$)	(\$)	(\$)
(Expenses)	(432,286)	(302,982)	(1,581,870)	(14,551,381)
Other income (expenses)	(1,728,620)	(386,247)	(670,359)	6,114,236
Net income (loss)	(2,160,906)	(689,229)	(2,252,229)	(8,437,145)
Comprehensive Loss	(3,879,435)	25,938	1,583,567	11,284,746
Loss Per Share - basic and dilute	(0.02)	(0.02)	0.01	(0.07)

The following is a descriptive summary of the past eight quarters:

- March 31, 2017 – Expenses in the quarter increased compared to Q3 2016 and Q2 2016 due the dewatering and rehabilitation work and infrastructure upgrades and equipments maintenance undertaken at Copperstone.
- December 31, 2016 – Expenses in the quarter increased compared to Q2 2015 and Q1 2016 due the dewatering and rehabilitation work undertaken at Copperstone.
- September 30, 2016 – Expenses in the quarter were reduced compared to Q1 2015 due to reduced activities offset by financial restructuring fees. Other income increased due to gains recorded on the settlement of debt.
- June 30, 2016 – Expenses in the quarter increased as compared to the previous quarter due to financial restructuring initiatives and they decreased as compared to Q4-2015 reflecting the Corporation's reduced cash position and cost containment initiatives as the Corporation explores various strategic alternatives while keeping its properties in good standing. In addition, an impairment charge of \$13.1 million was booked in Q4-2015.
- March 31, 2016 – Expenses during the quarter increased as compared to the previous quarter due to financial restructuring initiatives and they decreased as compared to Q3-2015 reflecting the Corporation's reduced cash position and cost containment initiatives as the Corporation explores various strategic alternatives while keeping its properties in good standing.

- December 31, 2015 – Expenses during the quarter decreased again as compared to the previous quarter and as compared to Q2-2015 reflecting the Corporation’s reduced cash position and cost containment initiatives as the Corporation explores various strategic alternatives while keeping its properties in good standing.
- September 30, 2015 – Expenses during the quarter decreased as compared to 2014 reflecting the Corporation’s reduced cash position and cost containment initiatives as the Corporation explores various strategic alternatives while keeping its properties in good standing. The decrease in overall expenses reflects cost cutting initiatives in light of the current economic conditions and a further decrease compared to Q4 2015 due to the impairment charge recognized for the year ended June 30, 2015.
- June 30, 2015 – The majority of the expenses during the quarter decreased as compared to 2014 which reflects the Corporation’s reduced cash position and better cost control initiatives as the Corporation explores various strategic alternatives while keeping its properties in good standing. The decrease in overall expenses reflects a trend of cost reduction as the Corporation cuts costs in light of the current economic condition. Other expenses increased in the quarter due to an impairment charge relating to the Copperstone property and associated assets of \$13,103,092.

Expenses for the Three Month Period Ended March 31, 2017 vs 2016

	Three months ended	
	31-Mar-17	31-Mar-16
Professional fees	\$ 16,122	\$ 36,750
Consulting fees	46,021	70,000
Depreciation	79,346	49,281
Salaries and wages	51,478	-
General and administrative	139,139	227,687
Promotion and travel	8,711	-
Shareholder relations	35,402	16,299
Exploration, evaluation and care and maintenance expenditures	1,932,678	32,269
	\$ 2,308,897	\$ 432,286

The Corporation incurred expenses of \$2,308,897 for the three-month period ended March 31, 2017 compared with expenses of \$432,286 for the three-month period ended March 31, 2016. The variance is mainly attributed to the following:

- an decrease in professional fees of \$20,628 reflecting decreased activity relating to financial restructuring initiatives in the comparative quarter
- an decrease in consulting fees of \$23,979 due to decreased activity relating to financial restructuring initiatives in the comparative quarter and the use of full time permanent employees replacing consultants
- An increase in salaries and wages of \$51,478 due to the hiring of full time permanent personnel.
- a decline in general and administrative expenses of \$88,548 as the Company continues to focus on reducing costs.
- an increase in shareholder relations of \$19,103 relating to increased investor relations efforts and the development of marketing materials.
- exploration and evaluation expenditures and care and maintenance costs increased, with expenditures of \$1,932,678 during the three-month period ended March 31, 2017 as compared to \$32,269 during the three-month period ended March 31, 2016. The significantly higher expenditures reflect the Company’s increased activity at the Copperstone project relating to the dewatering and rehabilitation work program as compared to the comparative quarter.

Expenses for the Nine Month Period Ended March 31, 2017 vs 2016

	Nine Months ended	
	31-Mar-17	31-Mar-16
Professional fees	\$ 267,255	\$ 193,719
Consulting fees	288,277	99,996
Depreciation	131,330	150,448
Salaries and wages	51,478	-
General and administrative	416,642	576,521
Promotion and travel	49,351	3,055
Shareholder relations	137,364	45,137
Exploration, evaluation and care and maintenance expenditures	3,171,320	941,926
	<u>\$ 4,513,017</u>	<u>\$ 2,010,802</u>

The Corporation incurred expenses of \$4,513,017 for the nine-month period ended March 31, 2017 compared with expenses of \$2,010,802 for the nine-month period ended March 31, 2016. The variance is mainly attributed to the following:

- an increase in professional fees of \$73,536 reflecting increased activity relating to the dewatering and rehabilitation work program and the financial restructuring initiatives
- an increase in consulting fees of \$188,281 due to increased activity relating to corporate restructuring and the dewatering and rehabilitation work program at the Copperstone Mine
- an increase in salaries and wages of \$51,478 due to the hiring of full time permanent personnel
- a decrease in general and administrative expenses of \$159,879 due to reduced corporate expenses and cost containment efforts
- an increase in promotion and travel of \$46,296 relating to increased travel costs for mine site visits and debt restructuring meetings
- an increase in shareholder relations of \$92,227 relating to stock exchange transaction fees, website redesign and the development of marketing materials and increased shareholder activities
- exploration and evaluation expenditures and care and maintenance costs increased, with expenditures of \$3,171,320 during the nine-month period ended March 31, 2017 as compared to \$941,926 during the nine-month period ended March 31, 2016. The higher expenditures reflect the Company's increased activity at the Copperstone project relating to the dewatering and rehabilitation work program as compared to the comparative quarter.

Liquidity

The Corporation has incurred losses since inception as it is in the exploration and evaluation stage of evaluating the Copperstone Project, McGarry Property and Bear Lake Property. As a result, the Corporation has no source of operating revenue. At March 31, 2017 the Company had a net working capital deficiency \$3,238,304 compared to a working capital deficiency of \$16,529,874 as at June 30, 2016.

As at March 31, 2017, the Corporation had a cash and cash equivalents balance of \$211,733 (June 30, 2016 - \$412,662) to settle its financial liabilities of \$4,007,625 (June 30, 2016 - \$21,696,235) resulting in uncertainty regarding the Corporation's ability to continue operations as a going concern. The Corporation's ability to continue operations depends on its ability to secure financing necessary to meet its obligations, finance development expenditures, and to achieve profitable operations and operating cash flow. As discussed above, the Company has actively engaged in and successfully restructured a significant portion of its current liabilities.

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.

Share Capital Summary

The Corporation is authorized to issue an unlimited number of Common Shares. The outstanding Common Shares, Common Share purchase warrants and stock options of the Corporation as of May 15th, 2016 are as follows:

Security	Securities Outstanding	Common Shares On Exercise
Common Shares	190,968,865	190,968,865
Convertible note		19,169,272
Options		4,000,000
Fully diluted Common Shares		214,138,137

Subsequent to the year end the Company issued 4,000,000 with an exercise price of 0.19 and expiry date five years from the date of issue vesting upon the completion of various performance targets to management.

RELATED-PARTY TRANSACTIONS

Key personnel:

	March 31, 2017	March 31, 2016
Key personnel salary and benefits expensed during the year	\$ 233,750	\$ 288,560
Key personnel amounts outstanding in accounts payable and accrued liabilities at year end.	\$ -	\$ 742,907

Related vendors and consultants

The Company has entered into a series of financial transactions with related parties as detailed in Notes 11, 12, 13 and 29.

Trans Oceanic has agreed to settle certain liabilities related to the restructuring initiatives incurred by Trans Oceanic and payable by Kerr of \$1,576,318, of which \$698,818 was included in accounts payable and accrued liabilities as at June 30, 2016, in exchange for 10,000,000 Common Shares of the Company issued to Trans Oceanic.

CRITICAL ACCOUNTING ESTIMATES

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:

(a) *Exploration and evaluation stage*

In management's judgment the Company's Canadian operations are in the exploration and evaluation stage.

(b) *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 June 30, 2016 and June 30, 2015, the Copperstone mine had not met this target.

(c) *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 Corporation reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

(d) *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:

(a) *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. Refer to Note 14 for more details.

(b) *Estimated reserves, resources and exploration potential*

Reserves are estimates of the amount of product that can be extracted from the Company's mineral properties, considering both economic and legal factors. Calculating reserves, resources and exploration potential estimates requires decisions on assumptions about geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, prices and exchange rates.

Estimating the quantity and/or grade of reserves, resources and exploration potential require the analysis of drilling samples and other geological data. Estimates may change from period to period as the economic assumptions used to estimate reserves, resources and exploration potential change from period to period, and because additional geological data is generated during the course of operations. Changes in reported reserves may affect the Company's financial position.

The effect of a change in an accounting estimate is recognized prospectively by including it in the consolidated statement of operations and comprehensive loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

(c) *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.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements as defined by NI 51-102, and had no off-balance sheet arrangements as at March 31, 2016 or as of the the date hereof, that would have or reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure. Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements; and (ii) the financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Corporation, as of the date of and for the periods presented.

As at December 31, 2016, the CEO has evaluated the design of the Corporation's disclosure controls and procedures as defined in National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian Securities Administrators and have concluded that such controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The CEO and CFO are responsible for designing internal control over financial reporting or causing it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS. The Corporation has a limited number of employees and has determined that it is not appropriate to create segregation of duties such as may be expected in a larger organization, based on an analysis of the cost versus the benefit of hiring additional employees solely to address that issue. Kerr has determined that the risks associated with the lack of segregation of duties are insignificant based on the close involvement of management in day-to-day activities. The Corporation has limited resources available and the limited amount of transactions and activities allow for sufficient compensating controls.

Management conducted an evaluation of the effectiveness of corporation-level internal controls over financial reporting on a risk-based approach using elements of the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Based on management's assessment and those criteria, management believes that the internal control over financial reporting as of December 31, 2016 was effective.

RISKS AND UNCERTAINTIES

Following are the risk factors which the Corporation's management believes are most important in the context of the Corporation's business. It should be noted that this list is not exhaustive and that other risk factors may apply. An investment in the Corporation may not be suitable for all investors.

Exploration and Mining Risks

The business of mining and exploring for minerals involves a high degree of risk. This is often due to factors that cannot be foreseen, and only a small proportion of the properties that are explored worldwide are ultimately developed into producing mines.

The Corporation is carrying out exploratory search for proven or probable reserves on its Larder Lake and Copperstone projects. Although mining operations has been carried out on the McGarry Property and the Corporation has shipped material for milling and refining by third parties, it continues to assess the potential for economically recoverable volumes of minerals or metals on both the McGarry and Kerr-Addison Properties.

The operations of the Corporation may be disrupted by a variety of risks and hazards which are beyond the control of Kerr, including labour disruptions, the inability to obtain suitable or adequate machinery, equipment or labour, and other risks commonly involved in the conduct of exploration, development, and production programs.

The development of economically recoverable volumes of minerals will require substantial expenditures to determine through drilling and metallurgical processes the extent of the potential resources. Further substantial expenditures will then be required for all aspects of mining operations through to the possible sale of minerals or metals.

Although substantial benefits may be derived from discoveries of major mineralized deposits, no assurance can be given that minerals will be discovered in sufficient quantities or sufficient grade to justify ongoing commercial operations or that funds required for development can be obtained on a timely or reasonable-cost basis.

The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of minerals produced, costs of processing equipment, and such other factors as government regulations, including regulations relating to environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material.

Financing Risks

The Corporation has limited financial resources, has had no source of operating cash flow to date, and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and evaluation of one or more of the Corporation's properties will be dependent upon Kerr's ability to obtain financing through joint ventures, equity or debt financing or other means pending Kerr's ability to generate sufficient revenues and operating cash flow. Although the Corporation has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that Kerr will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration, evaluation and future development of its projects.

Credit Risk

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Corporation. Management's assessment of the Corporation's risk is low as it is primarily attributable to money

market funds held in a Canadian bank, Goods and Services Tax due from the Federal Government of Canada, and a deposit held with Ontario Hydro, which are included in accounts receivable and sundry assets. The Corporation periodically monitors the investments it makes and is satisfied with the credit ratings of its bank.

Interest Rate Risk

The Corporation has cash balances and interest-bearing debt. The Corporation's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institution. The new debt acquired during this year has a fixed interest rate attached to it.

Estimates of Mineral Resources and Production Risks

The mineral resource estimates of the Corporation are estimates only and no assurance can be given that any indicated or inferred resources will be discovered, or that any particular level of recovery of minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit. Reserves that may ultimately be mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, and work interruptions. Any estimated mineral resources should not be interpreted as assurances of commercial viability or potential or of the profitability of any future operations.

Mineral Prices

The principal activity of the Corporation is the exploration, evaluation and ultimate development of mineral resource properties. The mineral exploration and development industry in general is intensely competitive and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist for the sale of the same. Factors beyond the control of the Corporation may affect the marketability of any substances discovered. Mineral prices have fluctuated widely, particularly in recent years. The feasible development of such properties is highly dependent upon the price of metals. A sustained and substantial decline in commodity prices could result in the write-down, termination of exploration work or loss of its interests in identified resource properties.

Competition

The Corporation competes with many companies that have substantially greater financial and technical resources than the Corporation for the acquisition of mineral properties as well as for the recruitment and retention of qualified employees.

Environment and other Regulatory Requirements

The activities of the Corporation are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments.

Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines, and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations, and permits. There can be no assurance that all permits which the Corporation may require for exploration and development of its properties will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Corporation may undertake.

The Corporation believes it is in compliance with all material laws and regulations which currently apply to its activities. However, there may be unforeseen environmental liabilities resulting from exploration and/or mining activities and these may be costly to remedy.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration operations may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws. Amendments to current laws, regulations, and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in expenditures and costs or require abandonment or delays in developing new mining properties.

Title Matters

Title to the McGarry Property and the area of the mining concessions that the McGarry Property comprises and the Copperstone Property may be disputed. Although the Corporation has taken steps to verify the title to mineral properties in which it has an interest in accordance with industry standards for the current state of exploration of such properties, these procedures do not guarantee the Corporation's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Dependence on Key Personnel

The Corporation's development to date has largely depended, and in the future will continue to depend, on the efforts of key management. Loss of any of these people could have a material adverse effect on the Corporation and its business. The Corporation has not obtained and currently does not intend to obtain key-person insurance in respect of any directors and other employees, nor has it entered into non-competition and non-disclosure agreements with management and has no current plans to do so.

Additionally, directors and officers of the Corporation may also serve as directors and/or officers of other reporting issuers from time to time. Consequently, such directors and officers will be dividing their time between their duties to the Corporation and their duties to their other reporting issuers.

Share Price Fluctuations

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration-stage companies, such as the Corporation, have experienced wide fluctuations in price that have not necessarily been related to the underlying asset values or prospects of such companies. Price fluctuations will continue to occur in the future.

No Dividends

Investors cannot expect to receive a dividend on their investment in the Corporation in the foreseeable future, if ever. Investors should not expect to receive any return on their investment in the Corporation's securities other than possible capital gains.

The Corporation currently depends significantly on the Copperstone and the McGarry Project. Any adverse changes or developments affecting these projects would have a material and adverse effect on the Corporation's business, financial condition, results of operations, and prospects.

The Corporation has no operating history and a history of losses and there can be no assurance that the Corporation will ever be profitable.

The Corporation's ultimate success will depend on its ability to generate cash flow from producing properties in the future. The Corporation has not earned profits to date and there is no assurance that it will do so in the future.

CONTRACTUAL OBLIGATIONS

The following table details the Corporation's contractual maturities for its financial liabilities as at March 31, 2016:

Payments due by year:

Payments due by year	Total	2017	2018
Accounts payable and accrued liabilities	\$ 3,786,254	\$ 3,786,254	\$ -
Loans payable	2,000,000	-	2,000,000
Other loans	221,371	221,371	-
	<u>\$ 6,007,625</u>	<u>\$ 4,007,625</u>	<u>\$ 2,000,000</u>

Additional information about Kerr Mines Inc. can be obtained by visiting the SEDAR public documents site at www.sedar.com or by contacting Chris Hopkins, Interim President and Chief Executive Officer.

Claudio Ciavarella, Chief Executive Officer
May 15, 2017