ANNUAL MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2016

Dated: September 30, 2016

*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 September 30, 2016 and covers the results of operations for the fiscal years ended June 30, 2016 and 2015. 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, 2015 and 2014. 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 24, 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". 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. Recent work by American Bonanza has developed an underground operation and concentrator. The project is currently on care and maintenance while a re-evaluation of the operations and resources are being conducted by the Corporation, with the aim of restarting exploration and development at the site.

Non Core Projects

1. The McGarry Property is located in Virginiatown, Ontario, Canada. The McGarry Property consists of 33 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 v 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. (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) CDN$300,000 on or before December 26, 2016; (b) CDN$350,000 on or before

April 26, 2017; and (c) CDN$300,000 on or before October 26, 2017. The shares issued are to be voted with management for the forthcoming two years of annual general and special meetings of BonTerra. Kerr Mines is now deemed an Insider of BonTerra, pursuant to TSX Venture Exchange policies. As security for the receivable, the property is held as collateral until the final payment is made.

Additional minor exploration properties are held within North America, including the Dufay property in Quebec and the Gold Bar property in Nevada.

Corporate Strategy and Outlook

The Company has actively engaged in a corporate initiative aimed at stabilizing the financial condition of the Company. With the assistance of outside advisors, Kerr has initiated negotiations with both secured and unsecured creditors of the Company to reduce and restructure amounts owing in order to address its current significant working capital deficiency. The Company has made significant progress on this initiative as detailed below in the section titled "Operational Highlights."

The Company's long term 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 has approached contractors to begin dewatering of the mine and expects to announce mobilization in the very near future. Following dewatering, the initial exploration and development program at Copperstone will be directed at prioritizing exploration targets (surface and underground), and to restore production by improving and implementing new mining methods to extract ore at an economic level. A proposed 11,000-foot development program will expose multiple zones for development, exploration and production. This will aid in the sequencing of development headings, which in turn eliminates previous congestion problems while allowing for definition and exploration drilling. The timing of these expenditures will depend on capital availability and other factors.

Operational Highlights

Summary of significant events for the twelve months ended June 30, 2016 and the subsequent period to September 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, 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 CDN$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 CDN$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

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 C$8.4 million of the C$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 C$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.

On August 25th, 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 will improve by $21.5 million.
- The total value of the debt restructuring is $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.
- Subject to the final approval required by the Toronto Stock Exchange ("TSX") and shareholder approval, 62,497,914 Common Shares will have been or will be issued pursuant to all of the above noted transactions. This will bring the total issued and outstanding Common Shares of the Company to 190,968,865. More specifically, the Company has reached debt-restructuring agreements with TOMCL and the Company has reached debt-restructuring agreements with Braydon Capital Corporation ("Braydon"), a company controlled by Claudio Ciavarella, a director, shareholder and creditor of Kerr. The following summarizes the agreements reached between the parties. TOMCL has elected to convert the entire C$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 has 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 has 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 has 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 C$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 have each agreed to provide the Company with a long term debt facility of C$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 C$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 C$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 C$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. Following the issuance of Common Shares pursuant to the TOMCL Debt Conversion, TOMCL Private Placement, Braydon Private Placement and Morgan Settlement an aggregate of 56,500,000 Common Shares has been issued by the Company to the various parties and following such issuances the Company now has 190,968,865 issued and outstanding Common Shares.

<u>Summary of significant events for the year ended June 30, 2015</u>

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 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 and confirmed and extended mineralization in two zones of the 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, 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. 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 June 30, 2016, and all claims are currently in good standing.

Other

<u>McGarry Property</u>

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 twelve months ended June 30, 2016, the Corporation incurred $1,901,762 of exploration, evaluation and care and maintenance expenses compared to $2,733,060 during the same period in 2015.

Below is a summary of funds spent on mineral properties acquired and capitalized to the statement of financial position as at June 30 2016 and June 30, 2015 and spent on exploration and evaluation expenditures expensed in the statement of operations and comprehensive income/(loss) during the twelve months ended June 30, 2016 and 2015:

Mineral properties (statement of financial position):	**June 30, 2016**	June 30, 2015
Copperstone Property	**$ 7,270,465**	$ 9,701,569
Impairment	-	(2,431,104)
Total	**$ 7,270,465**	**$ 7,270,465**

Exploration, evaluation and care and maintenance expenditures (statement of operations and comprehensive loss):	**Year ended June 30, 2016**	**Year ended June 30, 2015**
Bear Lake Property	**$ 57,033**	$ 6,451
McGarry Property	**362,708**	840,745
Copperstone Property	**1,482,021**	1,885,864
Total	**$ 1,901,762**	$ 2,733,060

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 $CDN thousands) at the McGarry Property, Copperstone Property, and other projects during the twelve months ended June 30, 2016 and 2015 include the following:

	McGarry Project		Copperstone Project		Bear Lake Project		Other Projects		Total	
	30 06 2016	30 06 2015	**30 06 2016**	30 06 2015	**30 06 2016**	30 06 2015	**30 06 2016**	30 06 2015	**30 06 2016**	30 06 2014
Labour	$ 75	$ 158	$ 1,062	$ 699	$ -	$ -	$ -	$ -	$ 1,137	$ 857
Underground Development	-	14	143	-	-	-	-	-	$ 143	$ 14
Mining Equipment	-	1	-	58	-	-	-	-	$ -	$ 59
Drilling	-	-	288	127	-	-	-	-	$ 288	$ 127
Lab & drill core photo analyses	-	5	-	-	-	-	-	-	$ -	$ 5
Geology	-	461	-	-	-	-	-	-	$ -	$ 461
Energy	84	101	74	198	-	-	-	-	$ 158	$ 299
Processing	-	-	16	-	-	-	-	-	$ 16	$ -
Site Services	-	6	3	294	-	-	-	-	$ 3	$ 300
Environment	-	4	-	31	-	-	-	-	$ -	$ 35
Consulting	-	181	-	18	-	-	-	-	$ -	$ 199
Royalty	105	103	-	-	-	-	-	-	$ 105	$ 103
Gold Recovery	-	-	-	-	-	-	-	-	$ -	$ -
Property Acquisition	-	(225)	-	-	-	6	-	-	$ -	$ (219)
Legal Fees	-	-	-	205	-	-	-	-	$ -	$ 205
Property Taxes	35	31	-	255	17	-	-	-	$ 52	$ 286
Total	$ 299	$ 840	$ 1,586	$ 1,885	$ 17	$ 6	$ -	$ -	$ 1,902	$ 2,733

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 where intersected in the drilling with the best intersection being 5.76g/t gold over 5 feet.
McGarry development	Completed 230 feet of sill drifting in the 325 North area, including 90 feet of raise development. Four separate stope blocks were partially mined for a combined total of 1620 tons, to confirm continuity and grades of mineralized zones. Completed underground drilling of 14 holes for a combined total of 4541 feet, designed to define possible mineralized zones. 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.
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 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

	Q4 30-Jun-16 ($)	Q3 31-Mar-16 ($)	Q2 31-Dec-15 ($)	Q1 30-Sep-15 ($)
(Expenses)	(1,523,931)	(432,286)	(302,982)	(1,275,534)
Other income (expenses)	7,811,951	(1,728,620)	(386,247)	(287,468)
Net income (loss)	6,288,020	(2,160,906)	(689,229)	(1,563,002)
Comprehensive Income (Loss)	4,824,584	(3,879,435)	25,938	1,557,627
Loss Per Share - basic and diluted	0.03	(0.02)	(0.02)	0.01

	Q4 30-Jun-15 ($)	Q3 31-Mar-15 ($)	Q2 31-Dec-14 ($)	Q1 30-Sep-14 ($)
(Expenses)	(14,551,381)	(1,419,212)	(1,508,937)	(1,826,409)
Other income (expenses)	432,108	(3,047,525)	(1,810,238)	(1,553,874)
Net loss	(15,538,485)	(3,047,525)	(3,319,175)	(3,380,283)
Comprehensive Loss	(14,516,745)	(3,047,525)	(3,319,175)	(3,380,283)
Loss Per Share - basic and diluted	(0.11)	(0.03)	(0.04)	(0.04)

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

- 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.

- March 31, 2015 – The majority of the loss was due to a loss on the disposal of property, plant and equipment of $1,261,296 related to the Company settling an outstanding amount of $625,645 by returning certain fixed assets to the creditor with a value of $1,881,102. The majority of the remainder 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.

- December 31, 2014 – The majority of the loss was due to a realized loss of $1,997,860 on the sale of 6,666,667 Pinetree Shares, and a loss of $1,705,537 as the result of the termination of the proposed merger with San Gold. Out of the $1,705,537 in costs related to the termination of the merger, $1,600,000 relates to a loan to San Gold by Kerr of $1,600,000 which was provided for during the period. These losses were offset by a gain on settlement of debt with shares in the amount of $451,134 and a gain on the revaluation of the derivative liability in the convertible promissory note in the amount of $191,000. The majority of the remainder of the expenses during the quarter decreased as compared to 2013 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 exception to the decreasing trend in expenses is shareholder information costs which increased due to increased fees with the exchange based on the number of shares the Corporation has outstanding. The decrease in overall expenses reflects a trend of cost reduction as the Corporation cuts costs in light of the current economic condition.

- September 30, 2014 – There was an unrealized loss of $1,433,673 on marketable securities held which accounted for the majority of the net loss for the quarter. The remainder of the expenses during the quarter other than shareholder information costs which increased due to increased fees with the exchange based on the number of shares the Corporation has outstanding, were in line with prior quarters or decreased. This decrease reflects a trend of cost reduction as the Corporation cuts costs in light of the current economic condition and as it works towards its proposed business combination.

Expenses for the Three Month Period Ended June 30, 2016 vs 2015

	Three months ended	
	30-Jun-16	**30-Jun-15**
Professional fees	**$ 377,238**	$ 140,949
Consulting fees	**39,446**	145,776
Depreciation	**88,004**	188,734
Salaries and wages	**-**	150,465
General and administrative	**106,457**	102,638
Promotion and travel	**4,465**	30,415
Shareholder relations	**81,153**	75,334
Accretion expense	**(132,668)**	-
Exploration, evaluation and care and maintenance expenditures	**959,836**	613,978
Impairment charge	**-**	13,103,092
	$ 1,523,931	$ 14,551,381

The Corporation incurred expenses of $1,523,932 for the three-month period ended June 30, 2016 compared with expenses of $14,551,381 for the three-month period ended June 30, 2015. The variance is mainly attributed to the following:

- an increase in professional fees of $236,289 reflecting increased activity relating to the financial restructuring initiatives

- a decrease in consulting fees of $106,330 due to reduced operational activities at the Company's mining project
- a decrease in depreciation expense of $100,730 due to the disposition of certain mining equipment and certain Copperstone assets now being fully amortized.
- A decrease in salary and wages of $150,465 due to the elimination of all corporate and administrative salaried positions
- a decrease in travel and promotion of $25,950 due to the curtailment of business activities.
- exploration and evaluation expenditures and care and maintenance costs increased, with expenditures of $959,836 during the three-month period ended June 30, 2016 as compared to $613,978 during the three-month period ended June 30, 2015. The increased expenditures on exploration and evaluation reflects the Corporation's increased activity on the Copperstone project.
- an impairment charge of $13,103,092 was booked in 2015 relating to the the Copperstone mine.

Expenses for the Year Ended June 30, 2016 vs 2015

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	Twelve months ended			
		30-Jun-16		30-Jun-15
Professional fees	$	**570,957**	$	536,761
Consulting fees		**139,442**		370,898
Depreciation		**238,452**		985,353
Salaries and wages		**-**		601,682
General and administrative		**550,310**		465,347
Promotion and travel		**7,520**		121,295
Shareholder relations		**126,290**		388,451
Exploration, evaluation and care and maintenance expenditures		**1,901,762**		2,733,060
Impairment charge		**-**		13,103,092
	$	**3,534,733**	$	19,305,939

The Corporation incurred expenditures of $3,534,734 for the year ended June 30, 2016 compared with expenditures of $19,305,939 for the year ended June 30, 2015. The variance is mainly attributed to the following:

- an increase in professional fees of $34,196 due to restructuring activities.
- a decrease in consulting fees of $231,456 reflecting the significant curtailment of corporate activities.
- a decrease in depreciation expense of $746,901 due to the disposition of certain mining equipment and certain Copperstone assets now being fully amortized.
- A decrease in salary and wages of $601,682 due to the elimination of all corporate and administrative salaried positions
- an increase in general and administrative expenditures of $84,963. The increase in general and administrative expenditures during the current period primarily relates to higher insurance costs booked in the period.
- a decrease in travel and promotion of $113,775 due to the curtailment of business activities.
- a decrease in shareholder relations of $262,161 due to the curtailment of business activities.
- exploration and evaluation expenditures and care and maintenance costs decreased, with expenditures of $1,901,762 during the year ended June 30, 2016 as compared to $2,733,060 during the year ended June 30, 2015. The reduced expenditures on exploration and evaluation reflects the Corporation's reduced cash position and cost curtailment initiatives as the Corporation explores various strategic alternatives while keeping its properties in good standing.
- an impairment charge of $13,103,092 was booked in 2015 relating to the the Copperstone mine.

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 revenue. At June 30, 2016, the Corporation had a working capital deficiency in the amount of $16,529,874 compared to a deficiency of $18,408,191 as at June 30, 2015.

The Corporation's working capital as at June 30, 2016 is insufficient to meet its 2016 obligations resulting in uncertainly regarding the Corporation's ability to continue operations as a going concern. As at June 30, 2016, the Corporation had a cash and cash equivalents balance of $412,662 (June 30, 2015 - $476,136) to settle its financial liabilities of $21,696,235 (June 30, 2015 - $19,522,561). 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 a corporate initiative aimed at stabilizing the financial condition of the Company. With the assistance of outside advisors, Kerr has initiated negotiations with both secured and unsecured creditors of the Company to reduce and restructure amounts owing in order to address its current significant working capital deficiency.

On March 11, 2016 the Company announced that it had arranged debt financings with an existing shareholder and creditor of the Company. On December 17, 2015, the Company borrowed CDN$1,350,000 under a convertible promissory note and on March 9, 2016, the Company arranged up to US$1,000,000 under a convertible grid promissory note pursuant to which the Company can draw upon for general working capital purposes. The Company also announced on March 4th, 2016 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 an existing shareholder of Kerr.

Subsequent to June 30, 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 will improve by $21.5 million.
- The total value of the debt restructuring is $9.2 million or 75% of the Company's outstanding debt.
- The agreements include 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 replace current liabilities with new long-term debt with maturities ranging from 24 to 36 months.
- The company has a new debt facility with access to $2 million.

Management is increasingly confident that with the continued support of existing shareholders and creditors and improving equity markets for near term gold producing assets such as Copperstone it will overcome its current working capital deficiency.

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 September 30, 2016 are as follows:

Security	Securities Outstanding	Common Shares On Exercise
Common Shares	190,968,865	190,968,865
Convertible grid note		20,263,077
Warrants		23,403,335
Fully diluted Common Shares		234,635,277

RELATED-PARTY TRANSACTIONS

Key personnel:

		June 30, 2016		June 30, 2015
Key personnel salary and benefits expensed during the year	$	**397,478**	$	914,538

		June 30, 2016	June 30, 2015
Key personnel amounts outstanding in accounts payable and accrued liabilities at year end.	$	**811,916**	1,054,486

Related vendors and consultants

A director and an officer are partners in legal firms that provided legal services to the Company and another officer and ex officer supply services to the Company. The amounts paid or accrued to these firms relating to services provided in the normal course of business at the exchange amount agreed to by the parties during the year ended June 30, 2016 were $189,338 (2015 $211,694). The amounts owing to these firms as at June 30, 2016 was $450,254 (June 30, 2015 $167,362). A related party also invoiced the Company for office rental in the amount of $208,140 (2015 - $129,570).

Included in accounts payable and accrued liabilities is $541,226 due to a company controlled by a former director and shareholder.

The Company has entered into a series of financial transactions with related parties as detailed in Notes 11, 12, 13 and 29 of the audited coinsolidaterd financial statements as at June 30, 2016.

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

As at the date hereof, the Corporation has no off-balance sheet arrangements, and had no off-balance sheet arrangements as at June 30, 2016, 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 June 30, 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 June 30, 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 though 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.

In addition, the Company has a $950,000 receivable from Bonterra Resources Inc. relating to the sale of a mineral property with amounts payable until November 2017. While Bonterra currently has more than sufficient resources to meet these payment obligations there is no certainty that such resources will be available for future amounts due. No provision against this receivable has been made at this time however an allowance will be made in the event circumstances change.

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

Jubilee is entitled to the greater of: (i) a Net Smelter Return Royalty of 2% for periods when the price of gold is less than US$500 per Troy ounce; 3% when such price is US$500 or more and less than US$800 per Troy ounce; and 4% when such price is US$800 per Troy ounce or more; (ii) $1.00 per short ton of ore derived from the properties; and (iii) an advance royalty payment of $21,573.61 per quarter, with respect to the McGarry Property. The Corporation had a letter of credit outstanding at year-end in the amount of $435,160 (2015 - $435,160) relating to the reclamation obligation on the McGarry property.

The Corporation signed an option agreement ("**Option Agreement**") on December 23, 2010, to purchase from a group of private investors (the "**Group**") up to 100% of the Kerr-Addison Property. Kerr made the first of five annual payments of $500,000 to the Group and issued 2,000,000 Common Shares to the Group. The third payment of $500,000 was payable in January 2013. On February 27, 2013, Kerr announced that it had reached an agreement with the Group to amend the Option Agreement, under which the third and fourth payments of $500,000 each were satisfied by the issuance of a total of 10,000,000 Common Shares. The remaining fifth option payment of $500,000 in cash will continue to be payable on January 1, 2015, or the next business day thereafter. Kerr will also be required to pay a 2% net smelter royalty on gold production, except for an area identified in an internal report prepared by AJ Perron Gold Corp. dated October 21, 1996, as containing proven and probable reserves, which are subject instead to a 3% net smelter royalty.

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	Thereafter
Accounts payable and accrued liabilities	$ 10,733,251	$ 10,733,251	$ -
Net smelter return payable	953,916	-	953,916
Convertible promissory note payable	5,631,850	5,631,850	-
Loans payable	5,109,763	5,109,763	-
Other loans	221,371	221,371	-
	$ 22,650,151	$ 21,696,235	$ 953,916

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.

Chris Hopkins, Interim President and Chief Executive Officer
September 30, 2016