



MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three month period ended September 30, 2017

Dated November 10, 2017

Kerr Mines Inc.
Management's Discussion and Analysis
For the three month period ended September 30, 2017

This Management's Discussion & Analysis ("MD&A") provides a discussion and analysis of the financial condition and results of operations of Kerr Mines Inc. ("Kerr Mines", "Kerr" "we", "our", "us", or the "Company") and should be read in conjunction with the audited consolidated financial statements and related notes for the fiscal year ended June 30, 2017 (together the "Annual Financial Statements") and our other corporate filings including our Annual Information Form for the year ended June 30, 2017, available under Kerr Mine's profile on SEDAR at www.sedar.com.

This MD&A contains forward looking statements that involve numerous risks and uncertainties. The Company continually seeks to minimize its exposure to business risks, but by nature of its business and exploration activities, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties, including those described under the heading "Risk factors" in our Annual Financial Statements and those set forth in this MD&A under the heading "Forward-Looking Statements" or should underlying assumptions prove incorrect, then actual results may vary materially from those described in forward-looking statements.

The disclosure of technical information in this MD&A has been approved by Michael R. Smith P. Geo., who is a qualified person that is independent of the Company, as defined in National Instrument 43-101 ("QP") for the purposes of National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101"). Readers are directed to the section entitled "[Technical Disclosure]" included within this MD&A. The Company is listed on the TSX Exchange ("TSX") in Canada under the symbol KER.

All dollar amounts stated in this MD&A are expressed in Canadian dollars unless noted otherwise.

Business Overview

Kerr Mines is a TSX listed gold development and exploration company focused on creating value for shareholders by advancing its flagship asset, the Copperstone project. The Company has a 100% leasehold interest in the exploration stage Copperstone project which consists of 546 Federal unpatented mining claims covering an area of approximately 4,775 hectares (11,800 acres) located in La Paz County, Arizona. Copperstone lies in the prolific Walker Lane mineral belt that intersects gold provinces in Southern California and Western Arizona. These provinces host a total known gold endowment of over 40 million ounces of gold.

Within the Copperstone project is the Copperstone Mine. The Copperstone Mine, previously operated by Cyprus Minerals Corporation, produced nearly one-half million ounces of gold between 1987 and 1993 through open pit mining. Ackerman (1998) reported production by Cyprus at Copperstone of 514,000 oz of gold from 5,600,000 Mt of ore grading 2.8 g/tonne (0.089 oz/t) of gold. Existing infrastructure which remains from this time, or which had been subsequently installed by the Company's predecessor, American Bonanza Gold Corp, is considerable and serves to reduce the current capital requirements for the mine. Existing infrastructure includes a power line and substation, and three water wells. Additional infrastructure includes underground development and supporting infrastructure, offices, maintenance shops, a laboratory building, permitted tailings facility and a 450 ton per day mineral processing facility-

all sufficient for the proposed potential operations at the Copperstone mine. In addition, the Copperstone Mine is fully permitted for operation.

As outlined in the NI 43-101 Feasibility Report, dated February 2nd, 2010, the Copperstone Zone, located down dip of the ore body mined by Cyprus, using a model cap of 5 ounces per ton and a cut-off grade of 0.15 ounce per ton contains a Measured + Indicated mineral resource of 1,038,000 tons at 0.302 ounces per ton average grade for 313,000 ounces of contained gold and an Inferred resource of 407,000 tons at 0.356 ounces per ton average grade for 144,000 ounces of contained gold.

Highlights for the three months ended September 30, 2017 and Significant Subsequent Events

Operational

- On October 19, 2016 The Company announced that dewatering and rehabilitation work had begun at the Copperstone mine.
- On March 2, 2017, the Company announced it completed its de-watering and underground rehabilitation program at its flagship Copperstone mine in Arizona
- On August 8, 2017, the Company then underwent a tender process and awarded the three key contracts to support the execution of the 2017 Copperstone Mine exploration program and pre-feasibility study.
- On August 15, 2017, the Company launched the first phase of the 2017 surface exploration drilling campaign for the 2017 Copperstone Mine exploration program and pre-feasibility study.
- On August 21, 2017, the Company commenced the first phase of the 2017 underground drill access mine development for the 2017 Copperstone Mine exploration/development program and pre-feasibility study.
- On August 25, 2017, the Company began the first phase of the 2017 underground exploration and development drilling program.
- On September 11, 2017, the Company added a second surface drill to the first phase of the 2017 surface exploration drilling campaign for the 2017 Copperstone Mine exploration program and pre-feasibility study.
- On October 5, 2017, the Company's securities were halted from trading as prompted by a delay in filing of the documents related to the year ended June 30th, 2017. All documents were subsequently filed and trading resumed on October 11, 2017.
- On October 17, 2017, the Company announced the addition of two exploration claims for the Copperstone Project was initiated. 541 hectares (1,338 acres) of land is in the process of being added for the purposes of future exploration of the Blue Pearl targets. The Blue Pearl targets are contiguous to existing claims and were generated by magnetic resonance imagery.
- On October 24, 2017, the Company announced the discovery of a new mineralized zone at the Copperstone Project. The Footwall Zone is parallel to and 150 meters (500 feet) to the west of the Copperstone Zone.
- On October 24, 2017, the Company held the Annual General Meeting of shareholders and management in Toronto, Ontario.

- On November 2, 2017 the Company announced initial results of its Phase I underground drilling program with 10 of 12 drill holes intersecting significant gold mineralization and increasing the confidence in expanding the resource at the Company's Copperstone project in Arizona.
 - Results extend down-dip and up-dip gold grade and extend mineralized areas along strike in 2 sections of the Copperstone Zone
 - New intervals drilled from underground through the D Zone include:
 - 32 feet @ 16.2 g/t Au (KER-17U-12)
 - 20 feet @ 8.6 g/t Au (KER-17U-06)
 - 15 feet @ 5.1 g/t Au (KER-17U-04)
 - 10 feet @ 7.9 g/t Au (KER-17U-05)
 - 13 feet @ 6.2 g/t Au (KER-17U-11) and
 - 9 feet @ 5.4 g/t Au (KER-17U-11)

Outlook

- The Company is executing the first phase of its 9,100 meter (30,000 feet) 2017 exploration and development drilling program to define and expand current resources in the Copperstone Zone and define new resources in the Footwall Zone.
 - The Copperstone zone was previously mined by open pit and underground methods producing over 500,000 ounces of Au.
 - Previous successful drilling of the Footwall Zone demonstrated similar geology, grade and width as the Copperstone Zone. This has indicated that further drilling is warranted to advance the definition the Footwall Zone which currently has a strike length of 150 meters (500 feet) and 244 meters (800 feet) along dip.
 - Currently, assays are pending on many drill holes with expected release throughout Q4, 2017.
- The Company is preparing plans for Phase II of the 2017 exploration and development drilling program.
- The Company is executing a NI 43-101 Technical Pre-Feasibility Report, currently anticipated for Q1 2018. Highlights of the study are as follows:
 - Resource Update
 - Preliminary Mine Plan
 - Metallurgical tests
 - Capital and Operating Costs
 - Project Economics

Board & Management

- On April 11th, 2017, strengthened the Board and Management with the appointments of Claudio Ciavarella as Chief Executive Officer and Martin Kostuik as President and Director.
- Strengthened the technical team on June 1st, 2017 with appointment of appointment of Brad Atkinson as Director of Exploration and Geology and Michael R. Smith as a technical advisor of Exploration and Geology.

- Work force expanded at site to include over 36 employees and contractors.

Financial position

- Achieving and maintaining a strong balance sheet remains a top priority. The Company continued to strengthen its financial position:
 - As at June 30, 2017, the Company had cash of \$5.1 million, an increase of \$4.7 million from June 30, 2016.
 - Working capital at June 30, 2017 totalled \$2.3 million, \$18.8 million higher than at June 30, 2016.
 - On February 28, 2017 the Company reached an agreement with Jubilee Gold Exploration Ltd to settle the accrued advance royalty payable. The companies have also revised their existing royalty agreement to remove all future advance royalty obligations. The result in a further reduction in liabilities of over \$1,000,000.
 - As at June 30, 2017, The Company reduced debt and liabilities by \$9.6 million from the previous year June 30, 2016 and converted current short term debt into long term facilities

Financing Activities

- On July 10, 2017, the Company completed an oversubscribed Non-Brokered Private Placement of \$8,000,000 through the issuance of 44,444,444 Units comprised one common share (“Share”) and one-half of one common share purchase warrant (“Warrant”). Each Warrant entitles the holder thereof to acquire a Share at a price of \$0.27 per share for a period of 24 months from the date of issuance, provided, that if, at any time the Shares trade at a volume weighted average trading price of \$0.40, or greater, per Share for a period of 20 consecutive trading days.
- On November 10th, 2017 the Company announced that it intends to complete a proposed private placement offering of approximately 16,666,667 common shares of the Company at a price of \$0.30 per share for gross proceeds of \$5 million. The Company will use the net proceeds from the Offering to finance its ongoing exploration program at its flagship Copperstone Mine in Arizona. The Offering is scheduled to close on or about November 30, 2017.

Core Project

History of the Copperstone Project

Kerr Mines acquired TSX listed American Bonanza on June 27, 2014 and with it the Copperstone Project. The Copperstone Project encompasses approximately 4,775 hectares (11,800 acres) 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.

Between 1987 and 1993, the Copperstone Mine was operated by Cyprus Minerals Company (later Cyprus Amax Minerals Company) and produced nearly one-half million ounces of gold through open pit mining. Ackerman (1998) reported production by Cyprus at Copperstone of 514,000 oz of gold from 5,600,000 Mt of ore grading 2.8 g/tonne (0.089 oz/t) of gold.

Subsequently, from 2004 to 2013, American Bonanza developed an underground operation, a permitted tailings facility and a processing facility capable of processing 450 tonne per day. Offices, maintenance shops and a laboratory building were already present. American Bonanza began commissioning the newly constructed mine and mill in late 2012. As of October 2013, the Copperstone Mine had not reached commercial production. During the nine months ended September 30, 2013, the mine had focused on development mining to gain access to future ore bearing stopes and mining ore from currently available stopes. Total material moved during the nine months was 149,016 tons including 85,247 tons of gold bearing ore and 63,769 tons of waste, respectively. The average ore grade was 0.105 ounces of gold per ton for the nine months ended September 30, 2013, which is lower than the average grade of the ore body. This is due to the processing of substantial amounts of previously stockpiled material at lower or unknown grade during the start-up and ramp-up processes, and dilution during mining and ore handling. Plant feed for the nine months totaled 85,227 tons, producing 295 tons of concentrate with an estimated gold content of 7,424 ounces. A total of 295 tons of concentrate were shipped during the nine months ended September 30, 2013 containing 8,180 ounces of gold. Gold recovery in the plant, during the nine months ended September 30, 2013, was 86.1%, which is approaching the 90% recovery estimated in the feasibility study. The lower plant recovery was the result of the low grade material processed during the mine development and commissioning phases of the operation and the final tails grade remaining relatively consistent between low grade and high grade material.

Since late 2013 the project has been on care and maintenance to allow for a re-evaluation of the operations and resources.

On October 19, 2016 The Company announced that dewatering and rehabilitation work had begun at the Copperstone mine. This work was completed on March 2, 2017 and provided access to key underground areas.

In August, 2017, the Company then underwent a tender process and awarded the three key contracts to support the execution of the 2017 Copperstone Mine exploration program and pre-feasibility study.

Hard Rock Consulting ("HRC") of Colorado, has been appointed to conduct the Copperstone Mine pre-feasibility study, which is estimated to be completed by Q1 2018. The pre-feasibility study will be the basis for the decision to proceed towards production of the Copperstone Mine.

In addition, Godbe Drilling LLC ("Godbe") of Arizona, has been awarded the drilling contract, which includes both the surface and underground drilling programs.

DMC Mining Services Corporation ("DMC") of Utah, has been awarded the contract for underground development. The inclusion of the underground development allows the 2017 Copperstone Mine exploration program to access high-priority targets previously unavailable.

On August 15, 2017, the Company launched the first phase of the surface exploration drilling campaign for the 2017 Copperstone Mine exploration program and pre-feasibility study. The first phase encompasses approximately 15,000 feet of drilling with the goals of further defining the parallel Footwall Zone and increasing the existing resource in the Copperstone Zone.

The parallel Footwall Zone is located approximately 500 feet to the west on the footwall side of the Copperstone Zone which was previously mined by open pit and underground methods. Previous successful drilling has indicated that further drilling is warranted to advance the definition the Footwall Zone.

The objective is to continue to build from prior successful drilling results in the Footwall Zone which have indicated similar inclination,, rock type, alteration, width and grade as is seen in the Copperstone Zone.

On August 21, 2017 the Company commenced the first phase of the underground drill access mine development for the 2017 Copperstone Mine exploration/development program and pre-feasibility study. Approximately 1,200 feet of

new exploration drift is planned for completion in the first phase of the exploration program. This drift will provide first-time underground drill access to facilitate further definition of the parallel Footwall Zone and to enhance the existing resource in the Copperstone Zone.

The new underground drift will be accessed from existing workings and will extend mine access drifting by approximately 1,200 feet to the Southeast, along the strike of the Copperstone Zone. This access is placed between the Copperstone Zone and the parallel Footwall Zone, giving exploration and development drilling access to both zones. The drift is strategically placed in the footwall of the Copperstone Zone, to provide access for potential future mining.

On August 25, 2017 the Company began the first phase of the underground exploration and development drilling program. The 4,600 meter (15,000 feet) underground program is designed to confirm and expand the existing resources within the Copperstone zone. Targets designed to achieve this include infill drilling and expansive drilling to test down-dip extensions.

Non-Core Projects

The McGarry Property

The McGarry Mine, which is still deemed to be in exploration and evaluation, is located immediately west of Virginia town in North-eastern Ontario. It is 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 is 484 hectares and consists of 33 contiguous patented mining claims, including three licenses of occupation in McGarry Township. The Company's 75% interest is held through an agreement with Jubilee Gold Inc. The remaining 25% interest is a carried interest entitling Jubilee to a royalty. This results in complete control by the Corporation including 100% of any proceeds of production subject only to the royalty interest.

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.

The Bear Lake Property

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 paid CDN\$200,000 and issued an aggregate of 10,000,000 common shares of BonTerra. In addition, BonTerra completed the following payments: (a) CDN\$300,000 on or before December 26, 2016 (paid); (b) CDN\$350,000 on or before April 26, 2017 (paid); and (c) CDN\$300,000 on or before October 26, 2017. The Bear Lake property straddles 13 km strike length of the Larder Lake-Cadillac Break and consists of the Chemins, Ferland, and Bear Lake gold properties 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 was acquired from Bear Lake Gold in November 2012.

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

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

	Q1	Q4	Q3	Q2
	30-Sep-17	30-Jun-17	31-Mar-17	31-Dec-16
	(\$)	(\$)	(\$)	(\$)
(Expenses)	(2,601,371)	(1,334,884)	(2,308,897)	(1,440,586)
Other income (expenses)	(315,989)	327,610	2,718,060	(1,330,296)
Net income (loss)	(2,917,360)	(1,007,274)	409,163	(2,770,882)
Comprehensive Income (Loss)	(39,740)	(259,978)	(1,004,541)	(356,761)
Loss Per Share - basic and diluted	(0.01)	(0.01)	0.00	(0.01)

	Q1	Q4	Q3	Q2
	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15
	(\$)	(\$)	(\$)	(\$)
(Expenses)	(763,534)	1,247,268	(432,286)	(302,982)
Other income (expenses)	2,796,390	3,148,335	(1,728,620)	(386,247)
Net income (loss)	2,032,856	4,395,602	(2,160,906)	(689,229)
Comprehensive Loss	(103,852)	1,867,313	(3,879,435)	25,938
Loss Per Share - basic and diluted	0.01	0.02	(0.02)	(0.02)

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

- September 30, 2017 – Expenses in the quarter increased due to the commencement of the surface and underground drilling program at Copperstone as well as underground development work.
- June 30, 2017 – Expenses in the quarter decreased slightly due to completion of dewatering and rehabilitation activities offset by preliminary expenses associated with the Copperstone exploration program
- 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 equipment 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.

Expenses for the Three-Month Period Ended September 30, 2017 vs. 2016

	Three months ended	
	30-Sep-17	30-Sep-16
Professional fees	\$ 25,660	\$ 154,866
Consulting fees	\$ 50,000	96,183
Depreciation	\$ 44,750	43,777
Salaries and wages	\$ 58,849	-
General and administrative	\$ 10,827	139,773
Promotion and travel	\$ 17,191	17,668
Shareholder relations	\$ 344,274	72,252
Exploration, evaluation and care and maintenance expenditures	\$ 2,049,820	239,015
	\$ 2,601,371	\$ 763,534

The Corporation incurred expenses of \$2,601,371 for the three-month period ended September 30, 2017 compared with expenses of \$763,534 for the three-month period ended September 30, 2016. The variance is mainly attributed to the following:

- A decrease in professional fees of \$129,206 reflecting decreased activity relating to financial restructuring initiatives in the comparative quarter
- A decrease in consulting fees of \$46,183 due to decreased activity relating to financial restructuring initiatives in the comparative quarter and the use of full time permanent employees replacing consultants and the recovery of certain expenses
- An increase in salaries and wages of \$58,849 due to the hiring of full time permanent personnel.
- A decline in general and administrative expenses of \$128,946 as the Company continues to focus on reducing costs.
- An increase in exploration and evaluation expenditures and care and maintenance costs, with expenditures of \$2,049,820 during the three-month period ended September 30, 2017 as compared to \$239,015 during the three-month period ended September 30, 2016. The higher expenditures reflect the Company's increased activity at the Copperstone project relating to the commencement of the Copperstone exploration program consisting of surface and underground drilling and underground development.

Liquidity

The Corporation has incurred losses since inception as it is in the exploration and evaluation stage of evaluating the Copperstone Project and has minor holding costs related to the McGarry Property. As a result, the Corporation has no source of operating revenue. At September 30, 2017 the Company had net working capital \$2,303,335 compared to working capital of \$2,784,073 as at June 30, 2017.

As at September 30, 2017, the Corporation had a cash balance of \$2,726,563 (June 30, 2017 - \$5,065,452) to settle its financial liabilities of \$1,057,445 (June 30, 2017 - \$3,155,130). 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 and completed an \$8,000,000 equity raise.

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 September 30th, 2017 are as follows:

Security	outstanding	exercise
Common shares	235,413,299	235,413,299
Convertible grid note		20,263,077
Warrants		22,222,217
Options		7,880,000
Fully diluted common shares		<u>285,778,593</u>

As at November 10, 2017 the company had 235,413,299 shares outstanding after closing the second tranche of its June 2017 financing subsequent to the year end.

	Number of Shares	Amount
Balance, June 30, 2016	128,470,951	\$ 123,100,636
Shares issued for debt settlements	35,497,914	3,932,198
Conversion of promissory note (Note 12)	27,000,000	1,350,000
Shares issued on financing (b)	35,640,538	6,415,297
FMV of warrants issued	-	(2,379,100)
Share issue costs	-	(154,103)
Balance, June 30, 2017	226,609,403	\$ 132,264,928
Shares issued on financing (b)	8,803,896	1,584,701
FMV of warrants issued		(573,900)
	235,413,299	\$ 133,275,729

On November 10th, 2017 the Company announced that it intends to complete a proposed private placement offering of approximately 16,666,667 common shares of the Company at a price of \$0.30 per share for gross proceeds of \$5 million. The Company will use the net proceeds from the Offering to finance its ongoing exploration program at its flagship Copperstone Mine in Arizona. The Offering is scheduled to close on or about November 30, 2017.

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 September 30, 2017, 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 September 30, 2017 was effective.

IFRS Critical Accounting Policies and 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 judgement, the Company’s 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 September 30, 2017 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 18 for more details.

(b) 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.

New Standards and interpretations adopted

On December 18, 2014 the IASB issued amendments to IAS 1 "Presentation of Financial Statements" ("IAS 1") as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). Effective January 1, 2016, the Company adopted the IASB issued amendments to IAS 1 "Presentation of Financial Statements." The adoption of these amendments had no significant impact on the financial statements.

Standards issued but not yet effective

IFRS 2 - Share-based Payment. IFRS 2 was amended in June 2016, clarifying the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for year ends beginning on or after January 1, 2018. Earlier adoption is permitted. The Company does not expect this amendment to have a significant impact on its consolidated financial statements.

IFRS 9 Financial Instruments. IFRS 9 covers the classification and measurement, impairment and hedge accounting of financial assets and financial liabilities and the effective date is for annual periods on or after January 1, 2018, with earlier application permitted. Amendments to IFRS 9 also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. Instead, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments. The Company is still assessing the impact of adopting IFRS 9.

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

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

IAS 7 Statement of Cash Flows. IAS 7 was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 12 Income Taxes. IAS 12 was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

Cautionary Statement on Forward-Looking Information

Certain information contained or incorporated by reference in this press release including any information as to our strategy, projects, plans or future financial or operating performance, constitutes "forward-looking statements". All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "target", "plan", "objective", "assume", "intend", "goal", "drive", "strategy", "pursue", "continue", "estimate", "potential", "assume", "indicate", "may", "will", "can", "could", "would" and similar expressions identify

forward-looking statements. In particular, this press release contains forward-looking statements including, without limitation, with respect to expectations regarding future price assumptions, financial performance and other outlook or guidance.

Forward-looking statements are necessarily based upon a number of estimates and assumptions including material estimates and assumptions related to the factors set forth below that, while considered reasonable by the Company as at the date of this press release in light of management's experience and perception of current conditions and expected developments, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements and undue reliance should not be placed on such statements and information. Such factors include, but are not limited to: fluctuations in the spot and forward price of gold; the speculative nature of mineral exploration and development; changes in mineral production performance, exploitation and exploration successes; risks associated with the fact that certain Best-in-Class initiatives are still in the early stages of evaluation and additional engineering and other analysis is required to fully assess their impact; the benefits expected from recent transactions being realized; diminishing quantities or grades of reserves; increased costs, delays, suspensions and technical challenges associated with the construction of capital projects; operating or technical difficulties in connection with mining or development activities, including geotechnical challenges and disruptions in the maintenance or provision of required infrastructure and information technology systems; failure to comply with environmental and health and safety laws and regulations; timing of receipt of, or failure to comply with, necessary permits and approvals; the impact of global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future cash flows; adverse changes in our credit ratings; the impact of inflation; fluctuations in the currency markets; changes in U.S. dollar interest rates; risks arising from holding derivative instruments; changes in national and local government legislation, taxation, controls or regulations and/or changes in the administration of laws, policies and practices and political or economic developments in Canada and/or the United States.

In addition, there are risks and hazards associated with the business of mineral exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion (and the risk of inadequate insurance, or inability to obtain insurance, to cover these risks). Many of these uncertainties and contingencies can affect our actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, us.

Readers are cautioned that forward-looking statements are not guarantees of future performance. All of the forward-looking statements made in this press release are qualified by these cautionary statements. Specific reference is made to the most recent Form 40-F/Annual Information Form on file with the SEC and Canadian provincial securities regulatory authorities for a more detailed discussion of some of the factors underlying forward-looking statements and the risks that may affect Kerr Mine's ability to achieve the expectations set forth in the forward-looking statements contained in this press release. We disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.