NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OF

KERR MINES INC.

TO BE HELD ON JUNE 30, 2016

AND

MANAGEMENT INFORMATION CIRCULAR

DATED MAY 30, 2016

NOTICE OF ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS OF KERR MINES INC.

NOTICE IS HEREBY GIVEN that the annual and special meeting (the "**Meeting**") of shareholders of Kerr Mines Inc. (the "**Company**") will be held at 10:00 a.m. (Toronto time) on Thursday, June 30, 2016 at the offices of the Company located at 365 Bay Street, Suite 400, Toronto, Ontario for the following purposes:

1. to receive the consolidated financial statements of the Company, together with the auditors' report thereon, for the fiscal year ended June 30, 2015, and the interim financial statements of the Company for the three and nine months ended March 31, 2016;

2. to elect directors to serve until the next annual general meeting;

3. to appoint auditors to hold office until the next annual meeting of the Company at a remuneration to be fixed by the board of directors;

4. to pass, with or without variation, a resolution, approving the issuance of 62,748,943 common shares of the Company to Trans Oceanic Mineral Company Ltd. ("**TOMCL**") to be issued upon the conversion of convertible promissory notes held by TOMCL in accordance with the policies of the Toronto Stock Exchange, and which issuance could materially affect control of the Company; and

5. to transact such other business as may properly come before the Meeting or any adjournment thereof.

Proxies are being solicited by the management of the Company. Shareholders who are entitled to vote at the Meeting may vote either in person or by proxy. Shareholders who are unable to be present in person at the Meeting are requested to sign, date and deliver the accompanying proxy to the Company's registrar and transfer agent, TMX Equity Transfer Services Inc., 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1, or send a faxed copy to (416) 595-9593 so it is received on or before 10:00 a.m. (Toronto time) two business days preceding the Meeting or forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before any adjournment or postponement of the Meeting.

If you are a *non-registered shareholder* of the Company and receive these materials through your broker or another intermediary, please complete and sign the materials in accordance with the instructions provided to you by such broker or other intermediary.

The accompanying management information circular (the "**Circular**") provides additional detailed information relating to the matters to be dealt with at the Meeting and is supplemental to, and expressly made a part of, this notice of annual and special meeting. Additional information about the Company and its financial statements are also available on the Company's profile at www.sedar.com.

DATED at Toronto, Ontario, this 30th day of May, 2016.

BY ORDER OF THE BOARD OF DIRECTORS

"Gregory Gibson"

Gregory Gibson
President and Chief Executive Officer

KERR MINES INC.

MANAGEMENT INFORMATION CIRCULAR

For the Annual and Special Meeting
to be held on June 30, 2016

GENERAL PROXY INFORMATION

SOLICITATION OF PROXIES

THIS MANAGEMENT INFORMATION CIRCULAR ("CIRCULAR") IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF KERR MINES INC. (the "**Corporation**") of proxies to be used at the annual and special meeting of shareholders of the Company to be held on Thursday, June 30, 2016 at the hour of 10:00 a.m. (Eastern time) at 365 Bay Street, Suite 400, Toronto, Ontario M5H 2V1, and at any adjournment or postponement thereof (the "**Meeting**") for the purposes set out in the enclosed notice of meeting (the "**Notice**"). Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or other proxy solicitation services. In accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**"), arrangements have been made with brokerage houses and clearing agencies, custodians, nominees, fiduciaries or other intermediaries to send the Company's proxy solicitation materials (the "**Meeting Materials**") to the beneficial owners of the common shares of the Company (the "**Common Shares**") held of record by such parties. The Company may reimburse such parties for reasonable fees and disbursements incurred by them in doing so. The costs of the solicitation of proxies will be borne by the Company. The Company may also retain, and pay a fee to, one or more professional proxy solicitation firms to solicit proxies from the shareholders of the Company in favour of the matters set forth in the Notice.

APPOINTMENT AND REVOCATION OF PROXIES

A holder of Common Shares who appears on the records maintained by the Company's registrar and transfer agent as a registered holder of Common Shares (each a "**Registered Shareholder**") may vote in person at the Meeting or may appoint another person to represent such Registered Shareholder as proxy and to vote the Common Shares of such Registered Shareholder at the Meeting. In order to appoint another person as proxy, a Registered Shareholder must complete, execute and deliver the form of proxy accompanying this Circular, or another proper form of proxy, in the manner specified in the Notice.

The purpose of a form of proxy is to designate persons who will vote on the shareholder's behalf in accordance with the instructions given by the shareholder in the form of proxy. The persons named in the enclosed form of proxy are officers or directors of the Company. **A REGISTERED SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER OF THE COMPANY, TO REPRESENT HIM OR HER AT THE MEETING MAY DO SO BY FILLING IN THE NAME OF SUCH PERSON IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER PROPER FORM OF PROXY.** A Registered Shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must, in all cases, deposit the completed form of proxy with the Company's transfer agent and registrar, TMX Equity Transfer Services, at 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1 (the "**Transfer Agent**"), not later than 10:00 a.m. (Eastern time) on Tuesday, June 28, 2016 or, if the Meeting is adjourned, not later than 48 hours, excluding Saturdays and holidays, preceding the time of such adjourned Meeting at which the form of proxy is to be used. A form of proxy should be executed by the Registered Shareholder or his or her attorney duly authorized in writing or, if the Registered Shareholder is a corporation, by an officer or attorney thereof duly authorized.

A Registered Shareholder attending the Meeting has the right to vote in person and, if he or she does so, his or her form of proxy is nullified with respect to the matters such person votes upon at the Meeting and any subsequent matters thereafter to be voted upon at the Meeting or any adjournment thereof.

A Registered Shareholder who has given a form of proxy may revoke the form of proxy at any time prior to using it by: (a) depositing an instrument in writing, including another completed form of proxy, executed by such Registered Shareholder or by his or her attorney authorized in writing or by electronic signature or, if the Registered Shareholder is a corporation, by an authorized officer or attorney thereof at, or by transmitting by telephone or electronic means, a revocation signed, by electronic signature, to (i) the registered office of the Company, located at 365 Bay Street, Suite 400, Toronto, Ontario M5H 2V1, at any time prior to 5:00 p.m. (Eastern time) on the last business day preceding the day of the Meeting or any adjournment thereof or (ii) with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof; or (b) any other manner permitted by law.

EXERCISE OF DISCRETION BY PROXIES

The Common Shares represented by proxies in favour of management nominees will be voted or withheld from voting in accordance with the instructions of the Registered Shareholder on any ballot that may be called for and, if a Registered Shareholder specifies a choice with respect to any matter to be acted upon at the meeting, the Common Shares represented by the proxy shall be voted accordingly. Where no choice is specified, the proxy will confer discretionary authority and will be voted for the election of directors, for the appointment of auditors and the authorization of the directors to fix their remuneration and for each item of special business, as stated elsewhere in this Circular.

The enclosed form of proxy also confers discretionary authority upon the persons named therein to vote with respect to any amendments or variations to the matters identified in the Notice and with respect to other matters which may properly come before the Meeting in such manner as such nominee in his judgment may determine. At the time of printing this Circular, the management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

ADVICE TO NON-REGISTERED SHAREHOLDERS

The information set forth in this section is of significant importance to many shareholders of the Company, as a substantial number of shareholders of the Company do not hold Common Shares in their own name. Only Registered Shareholders or the persons they appoint as their proxies are permitted to attend and vote at the Meeting and only forms of proxy deposited by Registered Shareholders will be recognized and acted upon at the Meeting. Common Shares beneficially owned by a non-registered holder (each a "**Non-Registered Holder**") are registered either: (i) in the name of an intermediary (an "**Intermediary**") with whom the Non-Registered Holder deals in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (ii) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc. ("**CDS**")) (a "**Clearing Agency**") of which the Intermediary is a participant. Accordingly, such Intermediaries and Clearing Agencies would be the Registered Shareholders and would appear as such on the list maintained by the Transfer Agent. Non-Registered Holders do not appear on the list of the Registered Shareholders maintained by the Transfer Agent.

Distribution of Meeting Materials to Non-Registered Holders

In accordance with the requirements of NI 54-101, the Company has distributed copies of the Meeting Materials to the Clearing Agencies and Intermediaries for onward distribution to Non-Registered Holders as well as directly to NOBOs (as defined below).

Non-Registered Holders fall into two categories - those who object to their identity being known to the issuers of securities which they own ("**OBOs**") and those who do not object to their identity being made known to the issuers of the securities which they own ("**NOBOs**"). Subject to the provisions of NI 54-101, issuers may request and obtain a list of their NOBOs from Intermediaries directly or via their transfer agent and may obtain and use the NOBO list for the distribution of proxy-related materials to such NOBOs. If you are a NOBO and the Company or its agent has sent the Meeting Materials directly to you, your name, address and information about your holdings of Common Shares have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding the Common Shares on your behalf.

The Company's OBOs can expect to be contacted by their Intermediary. The Company does not intend to pay for Intermediaries to deliver the Meeting Materials to OBOs and it is the responsibility of such Intermediaries to ensure delivery of the Meeting Materials to their OBOs.

Voting by Non-Registered Holders

The Common Shares held by Non-Registered Holders can only be voted or withheld from voting at the direction of the Non-Registered Holder. Without specific instructions, Intermediaries or Clearing Agencies are prohibited from voting Common Shares on behalf of Non-Registered Holders. Therefore, each Non-Registered Holder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.

The various Intermediaries have their own mailing procedures and provide their own return instructions to Non-Registered Holders, which should be carefully followed by Non-Registered Holders in order to ensure that their Common Shares are voted at the Meeting.

Non-Registered Holders will receive either a voting instruction form or, less frequently, a form of proxy. The purpose of these forms is to permit Non-Registered Holders to direct the voting of the Common Shares they beneficially own. Non-Registered Holders should follow the procedures set out below, depending on which type of form they receive.

A. *Voting Instruction Form*. In most cases, a Non-Registered Holder will receive, as part of the Meeting Materials, a voting instruction form (a "**VIF**"). If the Non-Registered Holder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the Non-Registered Holder's behalf), the VIF must be completed, signed and returned in accordance with the directions on the form.

or,

B. *Form of Proxy.* Less frequently, a Non-Registered Holder will receive, as part of the Meeting Materials, a form of proxy that has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. If the Non-Registered Holder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the Non-Registered Holder's behalf), the Non-Registered Holder must complete and sign the form of proxy and in accordance with the directions on the form.

Voting by Non-Registered Holders at the Meeting

Although a Non-Registered Holder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of an Intermediary or a Clearing Agency, a Non-Registered Holder may attend the Meeting as proxyholder for the Registered Shareholder who holds Common Shares beneficially owned by such Non-Registered Holder and vote such Common Shares as a proxyholder. A Non-Registered Holder who wishes to attend the Meeting and to vote their Common Shares as proxyholder for the Registered Shareholder who holds Common Shares beneficially owned by such Non-Registered Holder, should (a) if they received a VIF, follow the directions indicated on the VIF; or (b) if they received a form of proxy strike out the names of the persons named in the form of proxy and insert the Non-Registered Holder's or its nominees name in the blank space provided. Non-Registered Holders should carefully follow the instructions of their Intermediaries, including those instructions regarding when and where the VIF or the form of proxy is to be delivered.

All references to shareholders in the Meeting Materials are to Registered Shareholders as set forth on the list of registered shareholders of the Company as maintained by the Transfer Agent, unless specifically stated otherwise.

VOTING SHARES AND PRINCIPAL SHAREHOLDERS

The authorized share capital of the Corporation consists of an unlimited number of Common Shares without par value. As of May 6, 2016 (the "**Record Date**"), there were a total of 128,470,951 Common Shares issued and outstanding. Each Common Share outstanding on the Record Date carries the right to one vote at the Meeting.

Only Registered Shareholders as of the Record Date are entitled to receive notice of, and to attend and vote at, the Meeting or any adjournment or postponement of the Meeting. On a show of hands, every shareholder and proxy holder will have one vote and, on a poll, every shareholder present in person or represented by proxy will have one vote for each Common Share held.

To the knowledge of the Corporation's directors and executive officers, as of the date hereof, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, Common Shares carrying more than 10% of the voting rights attached to the outstanding Common Shares, other than as follows:

Name	**Type of Ownership**	**Number of Common Shares Owned, Controlled, or Directed**	**Percentage of Outstanding Common Shares**
Eric Sprott	Direct and Indirect	19,349,999[(1)]	15%

Notes:
(1) Held by 2176423 Ontario Ltd., a company controlled by Eric Sprott.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as disclosed herein, no director or officer of the Company, no proposed nominee for election to the board of directors of the Company (the "**Board**"), and no associate or affiliate of any such person has any material interest, direct or indirect, in any matter to be acted upon at the Meeting.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. FINANCIAL STATEMENTS

Shareholders will be asked to review and consider the audited financial statements of the Company for the year ended June 30, 2015 together with the auditor's report thereon and the interim financial statements of the Company for the three and nine months ended March 31, 2016. The annual financial statements for the year ended June 30, 2015 and interim financial statements for the three and nine months ended March 31, 2016 are being mailed with this Circular.

2. ELECTION OF DIRECTORS

The Board shall consist of seven (7) directors. The accompanying form of proxy provides for individual voting on directors rather than slate voting. The Company's majority voting policy provides that a director who receives a majority of "withhold" votes must tender his resignation and the Board will generally accept that resignation, absent exceptional circumstances, and publicly announce its decision by news release. The table and the notes thereto state the names of all persons nominated by management for election as directors, their principal occupations or employment during the past five years, if such nominee is not presently an elected director, the period or periods of service as directors of the Company and the approximate number of voting securities of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them as of the date hereof. Each director of the Company holds office until his successor is elected at the next annual meeting of the Company, or any adjournment thereof, or until his successor is elected or appointed.

Name, Province and Country of Residence and Position With the Company	Director Since	Number Of Common Shares Owned	Principal Occupation
Claudio Ciavarella[3] Ontario, Canada Director	December 19, 2013	6,344,676[5]	President of Forte Fixtures and Millwork Inc.
Gregory Gibson[2][3] Ontario, Canada President, CEO and Director	October 2, 2013	520,000	President and Chief Executive Officer and Chairman of the Company
Christopher Irwin[2] Ontario, Canada Director	October 2, 2013	--	Managing Partner of the law firm Irwin Lowy LLP
Gregory Smith[1] Alberta, Canada Director	August 21, 1986	35,967	President, Oakridge Financial Management Inc.
Fahad Tamimi[2] Saudi Arabia Proposed Director	Proposed Director	9,381,333	Chairman, Tamimi Trading and Contracting Co. (TIMCO)
Peter Damouni[1] London, United Kingdom Proposed Director	Proposed Director	333,333	Director of Silvergate Capital Partners Ltd
Ayman Arekat[1][3] Saudi Arabia Proposed Director	Proposed Director	--	Managing Director, The International Finance Bureau, Bahrain

Notes:

(1) Proposed members of the Audit Committee.

(2) Proposed members of the Corporate Governance, Compliance and Compensation Committee.

(3) Proposed members of the Health, Safety and Environmental Committee.

(4) The principal occupation during the past five years of the nominee not elected to his present term of office by the shareholders of the Company is as follows:

Fahad Tamimi: Mr. Al Tamimi is a Saudi based businessman with global investment activities. Since 2011, Mr. Al Tamimi has been engaged in developing a global mining investment business, real estate developments, advisory work for major corporations in engineering, mining, oil and gas projects in Saudi Arabia. He is also a partner in a specialized engineering firm that is undertaking certain works in the mega metro project in Riyadh, Saudi Arabia. From 2002 until 2011, Mr. Al Tamimi was President and CEO of SaudConsult, the largest Engineering firm in Saudi Arabia which undertook and executed many large infrastructure and construction projects for the Kingdom of Saudi Arabia. Among these projects was the award in 2004 of the design and construction management of Al-Amar Gold Mine for Ma'aden Company. In addition, Mr. Al Tamimi was a 50% partner of Worley Parsons Arabia, which undertook major infrastructure projects in the oil & gas, energy and natural resources sector in Saudi Arabia, Qatar, Bahrain and the United Arab Emirates. Mr. Al Tamimi is a businessman with experiences in mining, oil and gas, refineries, real estate and shipping.

Peter Damouni: Mr. Damouni has over 15 years of experience in investment banking and capital markets with expertise in mining and oil and gas. Throughout his career, Mr. Damouni has worked on and led equity and debt financings valued over $5 billion. He has comprehensive experience in equity financing, restructuring, corporate valuations and advisory assignments. Mr. Damouni is a Director of Silvergate Capital Partners, a UK based advisory firm, and is Corporate Secretary of Soma Oil & Gas, a private UK based company. He has previously held senior positions in other Investment Banks including Head of Corporate Finance and Capital Markets at VSA Capital, a UK investment bank servicing companies in the natural resources sector. Mr. Damouni has a BA in Economics (Honours) from McGill University.

Ayman Arekat: *Since 2012, Mr Arekat has been Managing Director of Tamimi Investments, a family office focussed on natural resources, oil and gas, real estate and special situations Mr. Arekat has over 35 years of strong banking, finance, investment and business management experience gathered while working with global institutions such as Chase Manhattan Bank, Merrill Lynch, Deutsche Bank, Investcorp and Abraaj Capital and as an independent businessman.*

(5) Comprising Common Shares owned directly by Mr. Ciavarella and indirectly through two corporations wholly-owned, directly or indirectly, by Mr. Ciavarella.

As at the date of this Circular, the directors and proposed directors of the Company as a group, directly and indirectly, beneficially own or exercise control or direction over 16,615,309 Common Shares, representing approximately 12.9% of the issued and outstanding Common Shares.

Cease Trade Orders or Bankruptcies

Other than as described below, no proposed director:

(a) is, as at the date of the Circular, or has been, within 10 years before the date of the Circular, a director, chief executive officer or chief financial officer of any company (including the Company) that,

(i) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or

(ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or

(b) is, as at the date of the Circular, or has been within 10 years before the date of the Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) has, within the 10 years before the date of the Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

The Company

In 2003, for failing to file its interim financial statements for the period ended March 31, 2003 with the local securities regulatory authority or regulator in British Columbia, Alberta, Ontario and Québec, and, in the case of Ontario, for failure to pay annual participation fees, as required by the *Securities Act* (Ontario), the Company became subject to orders directing that trading in the securities of the Company cease. These failures were due to a lack of funds to pay for the preparation and audit of such statements and to effect payment of such fees at that time. All of these cease trade orders were subsequently revoked. The issuance of these cease trade orders and their subsequent revocations are dated as follows: (a) issued by the Ontario Securities Commission on June 6, 2003 and revoked on August 11, 2005; (b) issued by the British Columbia Securities Commission on July 16, 2003 and revoked on November 3, 2005; (c) issued by the Alberta Securities Commission on September 26, 2003 and revoked on October

25, 2005; and (d) issued by the Québec Autorité des Marches Financiers on June 10, 2003 and revoked on September 28, 2005.

Chris Irwin

Mr. Irwin was a Director, President and Secretary of Brighter Minds Media Inc., which is subject to a cease trade order resulting from a failure to file financial statements dated May 8, 2009 and May 20, 2009.

Gregory Gibson

Mr. Gibson was formerly a President, Chief Executive Officer and a director of San Gold Corporation ("**San Gold**"), from September 2014 to June 2015. On December 22, 2014, San Gold filed a Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"). On December 23, 2014, trading of the common shares and subordinated unsecured convertible debentures of San Gold was suspended by the Investment Industry Regulatory Organization of Canada and the Toronto Stock Exchange. On June 22, 2015, San Gold sold substantially of its assets and did not have the ability to make a proposal to its creditors. Accordingly, San Gold became bankrupt upon the expiration of its stay period under its proposal proceedings under the BIA. Following the bankruptcy, the common shares of San Gold were delisted from the TSX Venture Exchange.

Penalties and Sanctions

No proposed director has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Proxies received in favour of management will be voted FOR the election of the above-named nominees, unless the shareholder has specified in the proxy that the Common Shares are to be withheld from voting in respect thereof. Management has no reason to believe that any of the nominees will be unable to serve as a director but, if a nominee is for any reason unavailable to serve as a director, proxies in favour of management will be voted in favour of the remaining nominees and may be voted for a substitute nominee unless the shareholder has specified in the proxy that the Common Shares are to be withheld from voting in respect of the election of directors.

3. APPOINTMENT OF AUDITORS

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE APPOINTMENT OF ERNST & YOUNG, LLP, CHARTERED ACCOUNTANTS, AS AUDITORS OF THE COMPANY TO HOLD OFFICE UNTIL THE NEXT ANNUAL MEETING OF SHAREHOLDERS AND THE AUTHORIZATION OF THE DIRECTORS TO FIX THEIR REMUNERATION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF. Ernst & Young LLP, Chartered Accountants, were first appointed as the auditors of the Corporation on March 14, 2014.

4. APPROVAL OF CONVERTIBLE PROMISSORY NOTES

At the Meeting, shareholders will be asked to consider, and if deemed advisable, to pass, with or without variation, a resolution (the "**Notes Resolution**") authorizing, approving and ratifying the issuance of 62,748,943 Common Shares to Trans Oceanic Mineral Company Ltd. ("**TOMCL**") upon the potential conversion of convertible promissory notes granted by the Company.

Information Concerning the December Note and March Note

TOMCL loaned the Company an aggregate of CDN$1,350,000 under a convertible promissory note (the "**December Note**") dated December 17, 2015, and TOMCL agreed to loan the Company up to US$1,000,000 under a convertible grid promissory note (the "**March Note**") dated March 9, 2016, pursuant to which the Company can draw upon for general working capital purposes. As at the date of the Circular, an aggregate of US$585,000 has been loan to the Company pursuant to the March Note. The December Note and the March Note each bear interest at an annual rate of 15% compounded monthly and are payable on demand. TOMCL has the right to convert any part of the amount owing under the December Note into Common Shares at a conversion price of CDN$0.02 per Common Share and any part of the amount owing under the March Note into Common Shares at a conversion price of CDN$0.065 per Common Share, subject to adjustments in customary events. On May 30, 2016, the December Note was amended to increase the conversion price to CDN$0.05 per Common Share. Each of the December Note and March Note (collectively, the "**Notes**"), is secured by a general security agreement in the Company`s Copperstone Mine.

The conversion price of CDN$0.05 per Common Share under the December Note represents a premium of approximately 100% to the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding the date of execution of the December Note. The conversion price of CDN$0.065 per Common Share under the March Note represents a discount of approximately 25% to the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding the date of execution of the March Note.

As at December 17, 2015, the date the December Note was entered into, there were 128,485,236 Common Shares outstanding. Assuming conversion of the entire principal amount and accrued interest of the Notes (assuming an exchange rate of US$1.30 to CDN$1.00), two (2) years following the date of issuance of the Notes, TOMCL would hold an aggregate of 62,748,943 Common Shares, representing a dilution of 48.84% of the issued and outstanding Common Shares at that time.

As at the date hereof, the Company has 128,470,951 Common Shares issued and outstanding, of which TOMCL, together with certain joint actors, holds 9,381,333 Common Shares and 1,466,666 Common Share purchase warrants ("**Warrants**") of the Company (representing 7.30% of the issued and outstanding Common Shares on an undiluted basis and 7.78% on a partially diluted basis). Assuming conversion of the entire principal amount and accrued interest of the Notes (assuming an exchange rate of US$1.30 to CDN$1.00), two (2) years following the date of issuance of the Notes, TOMCL and its joint actors would hold an aggregate of 72,130,276 Common Shares and 73,596,942 Common Shares assuming the exercise of the Warrants (representing 38.24% of the then issued and outstanding Common Shares on an undiluted basis and 38.20% on a partially diluted basis).. TOMCL is a corporation wholly-owned by Fahad Al-Tamimi, a proposed director and current shareholder of the Company.

TSX Shareholder Approval Requirements

Pursuant to Section 604(a)(i) of the TSX Company Manual, the TSX will generally require security holder approval as a condition of acceptance of the issuance of the Notes if in the opinion of the TSX the transaction materially affects control of the listed issuer. Pursuant to the policies of the TSX, "materially affect control" means the ability of any security holder or combination of security holders acting together to influence the outcome of a vote of security holders, including the ability to block significant transactions. Such an ability will be affected by the circumstances of a particular case, including the presence or absence of other large security holdings, the pattern of voting behaviour by other holders at previous security holder meetings and the distribution of the voting securities. A transaction that results, or could result, in a new holding of more than 20% of the voting securities by one security holder or combination of security holders acting together will be considered to materially affect control, unless the circumstances indicate otherwise. Transactions resulting in a new holding of less than 20% of the voting securities may also materially affect control, depending on the circumstances outlined above. The Board is of the view that the conversion of the Notes could materially affect control of the Company.

Pursuant to Section 607(g)(i) of the TSX Company Manual, the TSX requires the Company to obtain security holder approval for the issuance of the Notes because the aggregate number of Common Shares issuable upon conversion of the principal amount and accrued interest under the Notes, on the date that is two years following date of execution of the respective Notes, is greater than 25% of the number of the outstanding Common Shares on December 17, 2015, being the date the December Note was entered into.

Disinterested Shareholder Approval

The Company did not apply for and receive approval for the issuance of Notes at the time of entering into the Notes pursuant to the requirements of the TSX, however an application for approval of the issuance of the Notes has been filed with the TSX and, if granted, the Company must obtain disinterested shareholder approval of the issuance of the Notes. "Disinterested shareholder approval" means that while Shareholder approval may be obtained by ordinary resolution at the Meeting, the votes attached to all of the Common Shares held by TOMCL and its joint actors, associates and affiliates cannot be cast at the Meeting. A total of 9,381,333 Common Shares will be excluded, representing 7.3% of the currently issued and outstanding Common Shares.

Disinterested shareholders are being asked to consider and, if deemed advisable, approve and pass the following resolution:

"BE IT RESOLVED THAT:

1. the issuance of up to 36,378,480 Common Shares to TOMCL at a price of CDN$0.05 per Common Shares upon conversion of the principal amount and accrued interest under the December Note, on the date that is two years following date of execution of the December Note, on all such terms as are more particularly described in the management information circular of the Company dated May 30, 2016, is hereby authorized, ratified and approved;

2. the issuance of up to 26,370,463 Common Shares to TOMCL at a price of CDN$0.065 per Common Shares upon conversion of the principal amount and accrued interest under the March Note, on the date that is two years following date of execution of the March Note, on all such terms as are more particularly described in the management information circular of the Company dated May 30, 2016, is hereby authorized, ratified and approved;

3. the shareholders of the Company acknowledge that the conversion of the Notes could result in a material effect on control of the Company;

4. the shareholders of the Company acknowledge that the aggregate number of common shares in the capital of the Company issuable upon conversion of the Notes is greater than 25% of the number of Common Shares which will be outstanding, on a non-diluted basis, prior to the date of conversion; and

5. any one director or officer of the Company is hereby authorized, for and on behalf of the Company, to execute and deliver all such further agreements, documents and instruments and to do all such other acts and things as such director or officer may determine to be necessary or advisable for the purpose of giving full force and effect to the provisions of this resolution, the execution and delivery by such trustee, director or officer of any such agreement, document or instrument or the doing of any such act or thing being conclusive evidence of such determination.

In order to confirm, approve and ratify the issuance of the Notes a majority of votes cast at the Meeting by Disinterested Shareholders must be voted in favour of the Notes Resolution.

The Board recommends that the Company's shareholders vote FOR the Notes Resolution. Proxies received in favour of management will be voted for the approval of the Notes Resolution unless a shareholder has specified in the proxy that the shares are to be voted against such approval. In the event shareholder approval is not given, the Company, TOMCL may call the Notes, in which event the Notes would be immediately due and payable by the Company.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Philosophy and Objectives of the Executive Compensation Program

The philosophy of the Company's executive compensation program is to foster sustainable growth and profitability of the Company by:

- offering a compensation program that will attract and retain senior management with qualifications critical to the Company's long term success;
- encouraging and rewarding strong performance of senior management by linking an appropriate portion of total compensation to achievement, based on individual and corporate performance objectives; and
- aligning the interests of senior management with the longer term interests of shareholders by providing common share ownership opportunities through the Stock Option Plan.

The Company's executive compensation program consists of an annual base salary and option grants. Base salary still remains the most significant compensation component.

The Board has not undertaken a formal analysis of the implications of the risks associated with the Company's compensation policies and practices. The Company has not adopted a formal policy forbidding directors or officers from purchasing financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by directors or officers; however, the Company is not aware of any directors or officers having entered into this type of transaction.

Pursuant to National Instrument 51-102 - *Continuous Disclosure Obligations*, the Company is required to disclose all annual and long-term compensation for services rendered in all capacities to the Company for its previous three fiscal years, in respect of (i) the CEO, (ii) the CFO and (iii) any other executive officer whose compensation in any of those three fiscal years exceeded $150,000 (collectively, the "**Named Executive Officers**"). The Company currently has two Named Executive Officers, Greg Gibson, President and Chief Executive Officer and Chris Hopkins, Chief Financial Officer.

Base Rate or Salary

The base fee or salary of each particular Named Executive Officer is determined by an assessment by the Board of such executive's performance, a consideration of competitive compensation levels in companies similar to the Company and a review of the performance of the Company as a whole and the role such executive played in such corporate performance.

As of the date of this Circular, the Board had not, collectively, considered the implications of any risks associated with policies and practices regarding compensation of its directors or executive officers.

The Company does not prohibit its Named Executive Officers or directors from purchasing financial instruments, including for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officers or directors.

Long Term Compensation

The Company currently has no long-term incentive plans, other than stock options granted from time to time by the Board under the provisions of the Company's Stock Option Plan.

The Stock Option Plan provides for the number of Common Shares reserved for issuance under the Stock Option Plan not to exceed 10% of the Company's issued and outstanding share capital at the time of any stock option grant on a rolling basis. The Stock Option Plan is the Company's only compensation plan providing for the issuance of securities of the Company as compensation.

The principal purposes of the Stock Option Plan are to retain and attract qualified directors, officers, employees and service providers which the Company and its subsidiaries require; to promote a proprietary interest in the Company and its subsidiaries; to provide an incentive element in compensation; and to promote the profitability of the Company and its subsidiaries. Stock options shall be granted only to persons, firms or companies ("**Eligible Optionees**") who are directors, employees, consultants or management company employees of the Company or a subsidiary of the Company or, with the prior consent of the TSX and subject to restrictions on transfer, stock options may also be granted to a company that is wholly-owned by an Eligible Optionee. The maximum number of Common Shares issuable to any Eligible Optionee or Insider, at any time, under the Stock Option Plan and any other security based compensation arrangement is 5% of the issued and outstanding common shares. The maximum number of Common Shares reserved for issuance to any Eligible Optionee within any one-year period under the Stock Option Plan and any other security based compensation arrangement is 5% of the issued and outstanding Common Shares. The maximum number of stock options granted to consultants or persons employed in investor relations activities is 2% of the outstanding Common Shares.

The Stock Option Plan provides that the exercise price for any option granted shall be an amount determined by the directors when the option is granted, such amount not to be less than the Market Price of the common shares on the date of the grant. "**Market Price**" means the last closing price of the common shares on the TSX prior to the date the stock option is granted. The exercise price of the stock options granted under the Stock Option Plan cannot be below Market Price. There are no stock appreciation rights associated with the stock options granted under the Stock Option Plan and there are no provisions under the Stock Option Plan to transform stock options into stock appreciation rights.

Stock options vest immediately on their date of grant and continue for a term determined in the discretion of the Board at the time of the grant, provided that no stock option shall have a term exceeding five years, and unless the Board provides otherwise, all stock options will terminate: (i) in the case of stock options granted to an employee or consultant employed or retained to provide investment relations services, thirty days after the Eligible Optionee ceases to be employed or retained to provide investment relations services; (ii) in the case of stock options granted to other employees, consultants, directors, officers or advisors, ninety days following the termination (for or without cause) of such Eligible Optionee's employment or other relationship with the Company or an affiliated entity, or twelve months following the death or permanent and total disability of the Eligible Optionee. Other than a limited right of assignment in the event of the death of an Eligible Optionee to allow the exercise of stock options by the Eligible Optionee's legal representative, stock options shall not be assignable or transferable by the Eligible Optionees.

The Company shall retain the right to amend from time to time or to terminate the terms and conditions of the Stock Option Plan by resolution of the Board. All amendments will require shareholder approval and shall be subject to the prior consent of any applicable regulatory bodies, including the TSX. Amendments and termination shall take effect only with respect to stock options issued thereafter, provided that they may apply to any stock options previously issued with the mutual consent of the Company and the Eligible Optionees holding such stock options.

The Company does not provide financial assistance to participants under the Stock Option Plan. There are no entitlements under the Stock Option Plan that have been granted but are subject to ratification by the Company's shareholders.

Summary Compensation Table

The table below sets forth information concerning the compensation paid, awarded or earned by each of the Names Executive Officers for services rendered in all capacities to the Company during the three most recently completed financial year ends.

COMPENSATION OF NAMED EXECUTIVE OFFICERS[(1)]

					Non-Equity Incentive Plan Compensation ($)				
Name and Principal Position	**Year Ended June 30**	**Salary ($)**	**Share-Based Awards ($)**	**Option-Based Awards ($)[(3)]**	**Annual Incentive Plans**	**Long-Term Incentive Plans[(4)]**	**Pension Value ($)**	**All Other Compensation ($)**	**Total Compensation ($)**
Greg Gibson President & Chief Executive Officer	2015	313,260	Nil	Nil	Nil	Nil	Nil	Nil	313,260
	2014	300,000	Nil	Nil	Nil	Nil	Nil	Nil	300,000
	2013	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Andres Tinajero[(2)] Former Chief Financial Officer	2015	183,337	Nil	Nil	Nil	Nil	Nil	Nil	183,337
	2014	151,670	Nil	Nil	Nil	Nil	Nil	Nil	151,670
	2013	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Chris Hopkins[(2)] Chief Financial Officer	2015	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) *This table does not include any amount paid as reimbursement for expenses.*

(2) *Mr. Tinajero resigned as Chief Financial Officer effective August 25, 2015. Mr. Hopkins was appointed in his stead effective March 11, 2016.*

(3) *The fair value of each option at the date of grant was estimated using the Black-Scholes option-pricing model to be consistent with the audited financial statements and included the following assumptions:*

	2014	*2013*
Expected life of options	*1 year*	*3 years*
Risk-free interest rate	*1.01%*	*1.19%*
Expected stock price volatility	*93%*	*70%*
Expected dividend yield	*0%*	*0%*

(6) *"LTIP" or "long term incentive plan" means any plan that provides compensation intended to motivate performance to occur over a period greater than one fiscal year, but does not include option or share-based awards.*

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

No option-based awards or share-based awards were outstanding as at June 30, 2015.

Value Vested or Earned During the Financial Year

No incentive plan awards vested during the year ended June 30, 2015.

Employment and Consulting Agreements

The Company does not have in place any employment agreements between the Company or any subsidiary or affiliate thereof and its Named Executive Officers.

There are no employment agreements in place with any of the directors of the Company.

Pension Plan Benefits

There are no pension plan benefits in place for Named Executive Officers.

Termination and Change of Control Benefits

Compensation plans with Named Executive Officers resulting from the termination of employment of such Named Executive Officer or a change of control of the Company are described under "*Employment and Consulting Agreements*".

Composition of the Compensation Committee

Certain disclosure in respect of the Corporate Governance, Compliance and Compensation Committee is set out under the heading "Compensation" below.

Report on Executive Compensation

Certain disclosure in respect of the Corporate Governance, Compliance and Compensation Committee is set out under the heading "Compensation" below.

The Company's executive compensation policies have been structured to accomplish the following goals:

(a) retain the services of proven executives, whose experience and expertise are an important foundation upon which future profit and shareholder value will be built;

(b) reward individuals for their contribution to the overall success of the Company, and for successfully achieving objectives in their own area of responsibility; and

(c) attract outstanding executive candidates to the Company who are able to deliver superior management skills.

The rates noted above and option grants are the only components of executive compensation; however, the Company is considering other forms of compensation and will refer same to the Corporate Governance, Compliance and Compensation Committee for review. Cash compensation is reviewed and adjusted periodically against survey data, supplemented by other sources of information, to ensure the rates noted above remain competitive with standards prevailing in local employment markets.

Compensation of Directors

Directors of the Company are not entitled to any fees for attending meetings of the Board, committees of the Board and shareholders of the Company. The directors are reimbursed for any out-of-pocket travel expenses incurred in order to attend meetings and also participate in the Stock Option Plan.

Option-based and Share Based Awards to Directors

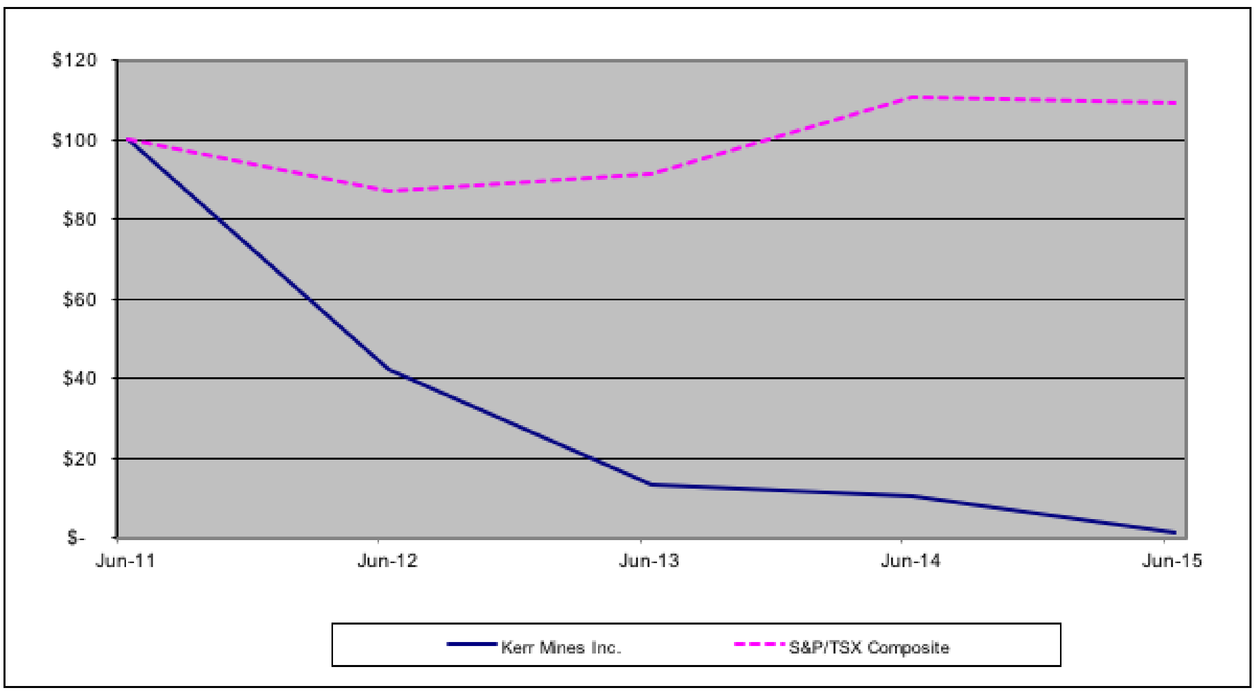
No option-based awards and or share-based awards were outstanding as at June 30, 2015.

Value Vested or Earned During the Year

No incentive plan awards vested during the year ended June 30, 2015.

Performance Graph

The following graph compares the percentage change in the cumulative total shareholder return on the Common Shares with the cumulative total return of the S&P/TSX Composite Index of the TSX ("**TSX Composite Index**") during the period from June 30, 2011 to June 30, 2015, assuming $100 was invested and all dividends were reinvested based on the closing price of the Common Shares on June 30, 2011, June 30, 2012, June 30, 2013, June 30, 2014 and June 30, 2015, the last trading days in the Company's fiscal year in 2011, 2012, 2013, 2014 and 2015.



The Company does not at this time have a formal policy linking the past performance of the Company with compensation. The Company issues options as an incentive to the executives to enhance future performance.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides details of the equity securities of the Company authorized for issuance as of the date hereof pursuant to the Company's equity compensation plan currently in place:

Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans**
Equity compensation plans approved by security holders	Nil	Nil	12,847,095
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	**Nil**	**Nil**	**12,847,095**

Note:

(1) The Board has, subject to shareholder approval, established the Stock Option Plan as a "rolling" stock option plan whereby the maximum number of Common Shares that may be reserved for issuance pursuant to the Stock Option Plan will not exceed 10% of the issued Common Shares at the time of the stock option grant.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No person who is, or who at any time during the two most recently completed financial years was, a director or officer of the Company, nor any proposed nominee for election as a director nor any associate of the foregoing, is or was at any time during the fiscal year ended June 30, 2015 indebted to the Company. In addition, none of such person's indebtedness to any other company has been the subject of a guarantee, support agreement or letter of credit from the Company.

AUDIT COMMITTEE DISCLOSURE

The Audit Committee operates under guidelines established by MI 52-110. In addition to carrying out its statutory legal responsibilities (including review of the Company's annual financial statements), the Audit Committee reviews accounting policies and issues and all financial reporting, including interim financial statements and management's discussion and analysis. The Audit Committee meets with the Company's external auditors (with and without management) and with members of management at least once a year to assist it in the effective discharge of its duties. The Audit Committee also recommends to the Board the firm to be appointed as the Company's auditors and the terms of their remuneration.

Further information regarding the Audit Committee is contained in the Company's annual information form (the "**AIF**") dated September 28, 2015 under the heading "Audit Committee" and a copy of the Audit Committee charter is attached to the AIF as Appendix "A". The AIF is available under the Company's profile at www.sedar.com.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed in this Circular, no director or officer of the Company, no proposed nominee for election to the Board, no person who owns, or controls or directs, directly or indirectly, more than 10% of the Company's issued and outstanding shares, and no associate or affiliate of any such person, has had any material interest, direct or indirect, in any material transaction involving the Company during the fiscal year ended June 30, 2015.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("**NI 58-101**") requires the Company to disclose, on an annual basis, its approach to corporate governance with reference to the guidelines provided in National Policy 58-201 - *Corporate Governance Guidelines* (the "**Guidelines**"). The Guidelines are not intended to be prescriptive. The Company is encouraged to consider the Guidelines in developing its own corporate governance practices, in its own context, and to explain to the investment community its approach to governance.

The Board believes that effective corporate governance contributes to improved corporate performance and enhanced shareholder value. The Company's governance practices are subject to at least an annual review and evaluation through the Board's Corporate Governance and Nominating Committee to ensure that, as the Company's business develops and grows, changes in structure and process necessary to ensure continued good governance are identified and implemented.

The following statement, which describes the Company's current governance practices, has been prepared and approved by the Board.

Composition of the Board

The Board is currently comprised of six (6) members including Gregory Gibson, Chris Irwin, Claudio Ciavarella, Gregory Smith, Wayne Tisdale and George Cole. The Board believes that five of its current members, Messrs. Cole, Irwin, Smith, Ciavarella and Tisdale are "independent" for purposes of NI 58-101. Mr. Gibson is the President and CEO of the Company and by virtue of his role, he is not independent within the meaning of NI 58-101.

Following the Meeting, the Board shall be comprised of seven (7) members. The Board believes that six (6) of the nominees, Messrs. Irwin, Smith, Ciavarella, Damouni, Al-Tamimi and Arekat are "independent" for purposes of NI 58-101. In reaching this determination, the Board considered the circumstances, experience and relationships with the Company of each of the directors.

The following table identifies each director of the Company that is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction and the other issuer.

Name of Director	Names of Other Reporting Issuers (or equivalent)
Gregory Gibson	Barkerville Gold Mines Ltd., Mag Copper Limited, Inventus Mining Corp., Mainstream Minerals Corporation, Rae-Wallace Mining Company, SGX Resources Corp.
Christopher Irwin	Arbitrage Exploration Inc., Roscan Minerals Corporation, Minnova Corp., Geodex Minerals Ltd., Greencastle Resources Ltd., Hornby Bay Mineral Exploration Ltd., Mag Copper Limited, Deveron Resources Limited, Minnova Corp., Superior Copper Corporation, Data Deposit Box Inc., Open Source Health Inc., SecureCom Mobile Inc., Stompy Bot Corporation and White Pine Resources Inc.
Gregory Smith	Falcon Oil & Gas Ltd.

During the last fiscal year, following scheduled meetings of the Board, independent directors held meetings at which non-independent directors and members of management were not in attendance. Also, independent directors hold regularly scheduled meetings, as they are the sole members of the Audit Committee, the Corporate Governance, Compliance and Compensation Committee and the Health, Safety & Environmental Committee, as required by the charters of those committees. The Board expects to adopt new procedures whereby at the request of any director the independent members of the Board may exclude management for portions of the Board meetings to enable open and frank discussion; however, this practice has been used during Board meetings to facilitate such discussion and any procedures would only formally entrench an existing practice.

Where matters to be considered were beyond routine, they were approved by unanimous approval of the entire Board, including the independent directors. The Board has held four full meetings during the last financial year and all directors attended. The Audit Committee held four meetings during the last financial year and all members attended. The Corporate Governance, Compliance and Compensation Committee held three meetings during the last financial year and all members attended, with the exception of Mr. Tisale, whom was absent from one meeting.

Mandate of the Board

The Board's responsibility is to supervise the executive managers of the business and affairs of the Company and to act with a view to the best interests of the Company and its shareholders.

In the discharge of this responsibility, the Board oversees and reviews directly or through its various committees, the Company's results of operations, significant corporate plans and business initiatives, including the development and implementation of the annual business plan, strategic plans, major acquisitions and divestitures, public communications policies, the Company's senior management recruitment, assessment and succession processes and the Company's internal control and management information systems to identify and manage principal business risks. The Board is also responsible for reviewing its size and the compensation paid to its members, to ensure that the Board can fulfil its duties effectively and that its members are adequately compensated for assuming the risks and carrying out the responsibilities of their positions.

In appropriate circumstances, individual directors have the right to engage an outside advisor, at the expense of the Company, to assist the director in dealing with his responsibilities. Such an engagement is subject to approval by the Corporate Governance, Compliance and Compensation Committee.

The Board considers, as a general rule, that management should speak for the Company in its communications with shareholders and the investment community, in the context of shareholder and investor relations programs reviewed and approved periodically by the Board.

The Company conducts a shareholder and investor relations program, under the direction of senior management. The program involves receiving and responding to shareholder inquiries, briefing analysts and fund managers with respect to reported financial results and other announcements by the Company, as well as meeting with individual investors and other stakeholders. The Board reviews the Company's major communications with shareholders and the public, including financial results, annual reports and management proxy circulars.

The Charter of the Board is attached as Schedule "A".

Position Descriptions

The Board has not developed a written position description for the Chairman of the Board, and has not developed such descriptions for the committee chairs beyond what is stated in each committee's charter. The committee chairs are expected to supervise the activities of their respective committee and to ensure that such committees are taking all steps necessary to fulfil their respective mandates. The CEO's responsibilities include, among other things, directing the business with the objective of establishing current and long-range objectives, plans and policies, representing the Company with its major suppliers, customers, the financial community and the public, and providing leadership to the management team.

Orientation and Continuing Education

The Company has developed a directors' handbook, which was provided to each director and will be provided to any new directors upon their election or appointment. The handbook contains Board and committee mandates, codes of conduct, policies and other relevant information. Materials will be updated annually, or more frequently as necessary. To ensure that the members of the Board remain fully informed about the Company's operations on a continuing basis, management shall report on the Company's activities and on various aspects relevant to the business on an on-going basis, during regularly scheduled Board meetings and through monthly mailings. The task of ensuring that appropriate orientation programs are in place for new directors will be the responsibility of the Corporate Governance, Compliance and Compensation Committee.

Board Diversity Policy

In 2014, amendments to NI 58-101 were adopted requiring new disclosure of the representation of women on the Board and in executive officer positions. As at the date of the Circular, none of the Company's directors and one of executive officers of the Company are women.

The Company recognizes the benefits of having a diverse Board, and seeks to increase diversity at the Board level informally through the recruitment efforts of the Board, without a written diversity policy in place. In order to further its objectives in this regard, the Company is investigating the possibility of adopting a written diversity policy during fiscal 2016 with the objective of increasing diversity at the Board level, with particular emphasis on gender diversity. The Board remains receptive to increasing the representation of women on the Board, taking into account the skills, background, experience and knowledge desired at that particular time by the Board and its committees. The Company does not support the adoption of quotas or targets regarding gender representation on the Board or in executive officer positions. All Board appointments are made on merit, in the context of the skills, experience, independence, knowledge and other qualities which the Board as a whole requires to be effective, with due regard for the benefits of diversity (including the level of representation of women on the Board). With respect to executive officer appointments, the Company recruits, manages and promotes on the basis of an individual's competence, qualification, experience and performance, also with due regard for the benefits of diversity (including the level of representation of women in executive officer positions).

Ethical Business Conduct

The Company maintains a Board-approved Code of Business Conduct and Ethics for Directors and Officers ("**Code of Conduct**") for which no waivers have currently been sought or granted. The Code of Conduct addresses conflicts of interest, confidentiality, protection and proper use of corporate assets, fair dealing, and compliance with laws, rules and regulations, and it encourages reporting of any illegal or unethical business practices. The Code of Conduct is signed by each director, officer and employee of the Company. Anyone may obtain a copy of it through SEDAR at www.sedar.com. In circumstances in which the Board must consider transactions and agreements in respect of which a director or executive officer has a material interest, the nature of such interest is declared, and the affected individual does not participate in the vote on the matter.

Nomination of Directors

The Corporate Governance, Compliance and Compensation Committee makes recommendations as to the size and composition of the Board; reviews qualifications for potential candidates for election to the Board; recommends for the Board's approval the slate of nominees for presentation to the annual shareholders' meetings; and makes recommendations with respect to the membership of committees. The committee is also responsible for reviewing and reporting to the Board annually on the overall performance and composition of the Board and its committees. It is the Corporate Governance, Compliance and Compensation Committee that is responsible for all corporate governance matters, including but not limited to establishing, evaluating and maintaining the state of the Company's corporate governance practices to ensure that such practices are current, appropriate and effective. The Corporate Governance, Compliance and Compensation Committee is comprised of three independent directors. The Board has not adopted a term limit for directors. The Board believes that the imposition of director term limits on the Board may discount the value of experience and continuity amongst Board members and runs the risk of excluding experienced and potentially valuable Board members.

Compensation

The Company has a Corporate Governance, Compliance and Compensation Committee that reviews all personnel matters, including performance, compensation, and succession arrangements. The committee reviews the form and adequacy of compensation for directors and officers of the Company, and reviews all of the Company's employee incentive plans. The Committee also reviews the performance and remuneration of the Company's senior management. At least annually, the Committee reviews and makes recommendations to the Board with respect to the performance and remuneration of the CEO, other officers, the directors and other senior management. The Committee reviews and considers publicly disclosed compensation information by industry competitors in making its recommendations. The Compensation Committee is comprised of three independent directors:

The Compensation Committee is ultimately responsible for determining the amount of options granted in each year. The Compensation Committee considers the amount of options previously granted in determining new awards of options.

The individuals comprising the Compensation Committee have acted as directors and executive officers for a variety of publicly listed and private companies. As a group, such directors have several years of directorship experience. The Company believes that the directors' experiences in this regard are relevant to their responsibilities in determining executive compensation and enables them to make decisions on the suitability of the Company's compensation policies and practices.

Other Board Committees

The Board has three standing committees: the Audit Committee, the Corporate Governance, Compliance and Compensation Committee and the Health, Safety and Environmental Committee. The Company does not have an executive committee.

The purpose of the Audit Committee is to augment and improve financial disclosure and to ensure the Company's compliance with disclosure requirements. The Audit Committee is responsible for overseeing the Company's accounting policies, financial reporting procedures, internal controls and management information systems and for reviewing the scope, terms, findings and results of internal and external audits of the Company. The Audit Committee maintains direct communications with the Company's external auditors and the Company's senior officers responsible for accounting and financial matters. The Audit Committee is described above under the heading "Audit Committee Disclosure". The Audit Committee has met in person or electronically on a quarterly basis for the last financial year.

The Corporate Governance, Compliance and Compensation Committee is described above under the heading, "Nomination of Directors and above under the heading "Compensation."

Assessments

The Board annually assesses, on an informal basis, the effectiveness of the Board as a whole, the Board Chair, the Board committees, the committee chairs and the contribution of individual directors. These assessments, if necessary, are incorporated into recommendations for improvement.

Expectations of Management

The Board believes that management is responsible for the development of long-term strategies for the Company and that the role of the Board is to review, question, validate and ultimately approve the strategies proposed by management. The Board's expectations of management are developed and communicated during regular Board and committee meetings, where members of senior management review and advise the Board on the Company's progress and on strategic, operational and financial issues facing the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company is filed on SEDAR and can be accessed on the internet at www.sedar.com.

Financial information for the Company is provided in the comparative financial statements and in the annual management discussion and analysis ("**MD&A**") for the fiscal year ended June 30, 2015 that was mailed with this Circular. Shareholders may request copies of other financial statements and MD&A by mailing a request to: Kerr Mines Inc., 365 Bay Street, Suite 400, Toronto, Ontario M5H 2V1.

BOARD APPROVAL

The contents and sending of this Circular have been approved by the Board.

DATED the 30th day of May, 2016.

"Gregory Gibson"

Name: Gregory Gibson
Title: President and Chief Executive Officer

SCHEDULE "A"
CHARTER OF THE BOARD OF DIRECTORS

(I) PURPOSE

The purpose of this charter ("**Charter**") of the board of directors (the "**Board**") of the Company Resources Corp. (the "**Company**") is to provide guidance to Board members as to their duties and responsibilities. The power and authority of the Board is subject to the provisions of applicable law.

The Board is responsible for the stewardship of the Company. This requires the Board to oversee the conduct of the business and affairs of the Company. The Board discharges some of its responsibilities directly and discharges others through committees of the Board. The Board is not responsible for the day-to-day management and operation of the Company's business, as this responsibility has been delegated to management. The Board is, however, responsible for supervising management in carrying out this responsibility.

(II) MEMBERSHIP

The Board consists of directors elected by the shareholders as provided for in the Company's constating documents and in accordance with applicable law. From time to time, the Corporate Governance and Nominating Committee shall review the size of the Board to ensure that its size facilitates effective decision-making by the Board in the fulfilment of its responsibilities.

Each member of the Board must act honestly and in good faith with a view to the best interests of the Company, and must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. A director is responsible for the matters under "Role and Responsibilities of the Board" below as well as for other duties as they arise in the director's role.

All members of the Board shall have suitable experience and skills given the nature of the Company and its businesses and have a proven record of sound judgment. Directors are to possess characteristics and traits that reflect:

- high ethical standards and integrity in their personal and professional dealings;
- the ability to provide thoughtful and experienced counsel on a broad range of issues and to develop a depth of knowledge of the businesses of the Company in order to understand and assess the assumptions on which the Company's strategic and business plans are based and to form an independent judgment with respect to the appropriateness and probability of achieving such plans;
- the ability to monitor and evaluate the financial performance of the Company;
- an appreciation of the value of Board and team performance over individual performance and a respect for others;

- an openness for the opinions of others and the willingness to listen, as well as the ability to communicate effectively and to raise tough questions in a manner that encourages open and frank discussion.

Directors are expected to commit the time and resources necessary to properly carry out their duties. Among other matters, directors are expected to adequately prepare for and attend all regularly scheduled Board meetings. New directors are expected to understand fully the role of the Board, the role of the committees of the Board and the contribution individual directors are expected to make.

(III) ETHICS

Members of the Board shall carry out their responsibilities objectively, honestly and in good faith with a view to the best interests of the Company. Directors of the Company are expected to conduct themselves according to the highest standards of personal and professional integrity. Directors are also expected to set the standard for Corporation-wide ethical conduct and ensure ethical behaviour and compliance with laws and regulations. If an actual or potential conflict of interest arises, a director shall promptly inform the Chair and shall refrain from voting or participating in discussion of the matter in respect of which he has an actual or potential conflict of interest. If it is determined that a significant conflict of interest exists and cannot be resolved, the director should resign.

Directors are expected to act in accordance with applicable law, the Company's Articles and the Company's Directors' and Officers' Code of Business Conduct and Ethics. The Board is required to monitor compliance with the Directors' and Officers' Code of Business Conduct and Ethics and is responsible for the granting of any waivers from compliance with the Code for directors and officers.

(IV) MEETINGS

The Board shall meet in accordance with a schedule established each year by the Board, and at such other times as the Board may determine. Meeting agendas shall be developed in consultation with the Chair. Board members may propose agenda items though communication with the Chair. The Chair is responsible for ensuring that a suitably comprehensive information package is sent to each director in advance of each meeting. At the discretion of the Board, members of management and others may attend Board meetings, except for separate meetings of the non-management directors of the Board.

Directors are expected to be fully prepared for each Board meeting, which requires them, at a minimum, to have read the material provided to them prior to the meeting. At Board meetings, each director is expected to take an active role in discussion and decision-making. To facilitate this, the Chair is responsible for fostering an atmosphere conducive to open discussion and debate.

Non-management members of the Board shall have the opportunity to meet at appropriate times without management present at regularly scheduled meetings. The Chair shall be responsible for presiding over meetings of the non-management directors. Non-management Board members may propose agenda items for meetings of non-management Board members through communication with the Chair.

(V) ROLE AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for approving the Company's goals, objectives and strategies. The Board shall adopt a strategic planning process and approve and review, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business. The Board is also responsible for identifying the principal risks of the Company's businesses and overseeing the implementation of appropriate risk assessment systems to manage these risks.

In addition to the other matters provided in this Charter, the Board is also responsible for the following specific matters:

- reviewing and approving management's strategic plans;
- reviewing and approving the Company's financial objectives, business plans, budgets (including capital allocations and expenditures) and financial statements;
- monitoring corporate performance against the strategic plans and business, operating and capital budgets;
- management succession planning, including appointing, training and monitoring senior management and, in particular, the President of the Company;
- providing that an appropriate portion of senior executive management's compensation is tied to both short-term and long-term performance of the Company;
- monitoring the integrity of the Company's accounting and financial reporting systems, disclosure controls and procedures, internal controls and management information systems;
- approving acquisitions and divestitures of business operations, strategic investments and alliances, major business development initiatives and any unbudgeted expenditure in excess of $100,000.00;
- the Company's communication policies, which:
  - (a) address how the Company interacts with analysts, investors, other key stakeholders and the public; and
  - (b) contain measures for the Company to comply with its continuous and timely disclosure obligations and to avoid selective disclosure and insider trading;
- developing the Company's principles and approach to corporate governance;
- assessing its own effectiveness in fulfilling its responsibilities, including monitoring the effectiveness of individual directors;

- monitoring compliance with the Directors' and Officers' Code of Business Conduct and Ethics.

A director has an important and positive role as a representative of the Company. A director is also expected to participate in outside activities that enhance the Company's image to investors, employees, customers and the public.

(VI) ROLE AND RESPONSIBILITIES OF THE CHAIR

The principal responsibilities of the Chair of the Board shall be to oversee, manage and assist the Board in fulfilling its duties and responsibilities as a Board in an effective manner independently of management. The Chair shall be responsible, among other things,

- to chair Board meetings and annual and special meetings of shareholders,

- to organize an appropriate annual work plan and regularly scheduled meetings for the Board,

- to participate in the preparation of the agenda for each Board meeting,

- to monitor the work of the committees of the Board and in that connection the Chair may attend, as a non-voting participant, all meetings of Board committees (other than those on which he otherwise sits),

- to arrange for an appropriate information package to be provided on a timely basis to each director in advance of each meeting,

- to assist in the Board's evaluation and self-assessment of its effectiveness and implementation of improvements,

- to provide appropriate guidance to individual Board members in discharging their duties,

- to ensure newly appointed directors receive an appropriate orientation and education program, and

- to provide arrangements for members of the Board to communicate with the Chair formally and informally concerning matters of interest to Board members.

(VII) PROCEDURES TO ENSURE EFFECTIVE AND INDEPENDENT OPERATION

The Board recognizes the importance of having procedures in place to ensure the effective and independent operation of the Board. In addition to the policies and procedures provided elsewhere in this Charter including under "Role and Responsibilities of the Chair" set out above, the Board has adopted the following procedures:

- the Board has complete access to the Company's management;

- the Board requires timely and accurate reporting from management and shall regularly review the quality of management's reports;

- subject to the approval of the Corporate Governance and Nominating Committee, individual directors may engage an external adviser at the expense of the Company in appropriate circumstances;

- the Board shall ensure that every investor inquiry shall receive a prompt response from an appropriate officer of the Company;

- the Chair of the Board shall monitor the nature and timeliness of the information requested by and provided by management to the Board to determine if the Board can be more effective in identifying problems and opportunities for the Company; and

- the Board, together with the President, shall develop a detailed job description for the President. This description shall be approved by the Compensation Committee. The Board shall assess the President against the objectives set out in this job description.

(VIII) BOARD COMMITTEES

Subject to limits on delegation contained in corporate law applicable to the Company, the Board has the authority to establish and carry out its duties through committees and to appoint directors to be members of these committees. The Board assesses the matters to be delegated to committees of the Board and the constitution of such committees annually or more frequently, as circumstances require. From time to time the Board may create *ad hoc* committees to examine specific issues on behalf of the Board.

Approved by the Board of Directors on September 25, 2006.

Kerr Mines Inc.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Kerr Mines Inc. (the "Company") are the responsibility of management and the Board of Directors of the Company.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Greg Gibson" (signed)	*"Lisa McCormack"* (signed)
Greg Gibson, CEO	Lisa McCormack, Corporate Secretary

INDEPENDENT AUDITORS' REPORT

To the Shareholders of **Kerr Mines Inc.**

We have audited the accompanying consolidated financial statements of **Kerr Mines Inc.**, which comprise the consolidated statements of financial position as at June 30, 2015 and 2014, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Kerr Mines Inc.** as at June 30, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 to the consolidated financial statements, which indicates that the Company has accumulated losses as at June 30, 2015 of $137.3 million and the Company's current liabilities exceeded its current assets by $18.4 million. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that raises substantial doubt about the Company's ability to continue as a going concern.

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
September 28, 2015

KERR MINES INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT JUNE 30, 2015, AND 2014

	June 30, 2015	June 30, 2014
ASSETS		(Note 25)
Current		
Cash and cash equivalents	**476,136**	93,591
Accounts receivable and sundry assets (Note 6)	**96,738**	269,174
Marketable securities (Note 7)	**2,767**	8,685
Inventories	**184,822**	157,891
Prepaid expenses	**353,907**	217,665
Current assets	**1,114,370**	747,006
Non-current		
Restricted investments (Note 5)	**1,545,309**	1,407,616
Property, plant and equipment (Note 9)	**11,085,682**	15,258,906
Mineral property (Note 8 and 10)	**7,270,465**	9,701,569
Goodwill (Note 10 and 25)	**-**	7,303,975
Non-current assets	**19,901,456**	33,672,066
TOTAL ASSETS	**21,015,826**	34,419,072
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 11 and 18)	**10,551,039**	10,682,122
Promissory note payable (Note 18)	**-**	600,000
Current portion of convertible promissory note (Note 12)	**2,675,150**	-
Derivative in convertible promissory note (Note 12)	**40,000**	207,000
Loan payable (Note 11)	**4,609,763**	-
Current portion of loans and borrowings (Note 23)	**1,646,609**	682,222
Current liabilities	**19,522,561**	12,171,344
Non-current		
Loan payable (Note 11)	**-**	4,609,763
Convertible promissory note (Note 12)	**-**	2,033,700
Net Smelter return payable (Note 19)	**849,312**	746,021
Provisions (Note 13)	**2,840,044**	2,472,607
Loans and borrowings (Note 23)	**436,815**	589,203
Non-current liabilities	**4,126,171**	10,451,294
EQUITY		
Capital stock (Note 14)	**123,081,747**	114,307,359
Contributed surplus	**6,865,101**	4,613,399
Option reserve (Note 15)	-	126,811
Warrant reserve (Note 16)	**3,667,000**	4,731,891
Currency translation reserve	**1,021,740**	-
Deficit	**(137,268,494)**	(111,983,026)
Total (deficiency) equity	**(2,632,906)**	11,796,434
TOTAL LIABILITIES AND (DEFICIENCY)/EQUITY	**21,015,826**	34,419,072

Nature of operations and going concern (Note 1)
Commitments and contingencies (Notes 8 and 19)

ON BEHALF OF THE BOARD:

"Greg Gibson"
DIRECTOR

"Greg Smith"
DIRECTOR

The accompanying notes are an integral part to these consolidated financial statements.

KERR MINES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	**2014**
OPERATING EXPENSES		
Professional fees	**536,761**	749,954
Consulting fees	**370,898**	210,090
Depreciation (Note 9)	**985,353**	255,273
Salaries and wages	**601,682**	393,873
Restructuring costs	**-**	960,000
General and administrative	**465,347**	390,218
Promotion and travel	**121,295**	381,982
Shareholder relations	**388,451**	608,685
Exploration, evaluation and care and maintenace expenditures (Note 8)	**2,733,060**	11,266,965
Impairment charge (Note 10)	**13,103,092**	-
	(19,305,939)	(15,217,040)
Realized loss on marketable securities (Note 7)	**(1,664,860)**	-
Loss on disposal of property, plant & equipment (Note 9)	**(1,274,843)**	-
Unrealized loss on marketable securities (Note 7)	**(5,918)**	-
Finance charges (Note 26)	**(1,529,163)**	(1,383,676)
Gain on settlement of debt (Note 14)	**359,233**	214,453
Gain on revaluation of derivative liability (Note 12)	**167,000**	-
Costs related to termination of merger (Note 22)	**(1,705,537)**	-
Interest and other income	**30,492**	16,795
Loss on foreign exchange	**(355,933)**	(20,406)
NET LOSS	**(25,285,468)**	(16,389,874)
Other Comprehensive Income - items that may subsequently reclassify into income	-	-
Foreign exchange differences	**1,021,740**	-
COMPREHENSIVE LOSS	**(24,263,728)**	(16,389,874)
Weighted average number of common shares outstanding (Note 14)	**112,425,831**	26,060,883
Diluted weighted average shares outstanding (Note 14)	**112,425,831**	26,060,883
BASIC AND DILUTED LOSS PER COMMON SHARE	**(0.22)**	(0.63)

The accompanying notes are an integral part to these consolidated financial statements.

KERR MINES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING ACTIVITIES		
NET LOSS FOR THE YEAR	**$ (25,285,468)**	$ (16,389,874)
ADD (DEDUCT) ITEMS NOT REQUIRING CASH		
Depreciation (Note 9)	**985,353**	255,273
Impairment (Note 10)	**13,103,092**	
Accretion expense (Note 13)	**69,585**	13,365
Unrealized loss on marketable securities (Note 7)	**5,918**	-
Loss on disposal of assets (Note 9)	**1,274,843**	-
Realized loss on marketable securities (Note 7)	**1,664,860**	-
San Gold bad debt provision (Note 22)	**1,600,000**	
Gain on settlement of debt (Note 14)	**(359,233)**	-
Gain on revaluation of derivative liability (Note 12)	**(167,000)**	-
Accretion on convertible promissory note (Note 12)	**259,250**	-
Foreign exchange	**(142,329)**	-
Shares issued for exploration and evaluation expenditures (Note 25 and 14(f))	**-**	7,020,104
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Accounts receivable and sundry assets	**172,436**	51,598
Prepaid expenses and other	**(136,242)**	79,273
Accounts payable and accrued liabilities	**844,858**	1,165,253
CASH FROM OPERATING ACTIVITIES	**(6,110,077)**	(7,805,008)
INVESTING ACTIVITIES		
Proceeds from sale of marketable securities (Note 7)	**1,002,140**	-
Proceeds from sale of property, plant and equipment	**24,000**	-
Proceeds from redemption of restricted investments	**20,021**	-
Loan advance to San Gold (Note 22)	**(1,600,000)**	
Purchase of restricted investments	**-**	(27,947)
Acquisition of Bear Lake Gold Ltd., net of cash acquired (Note 25)	**-**	(238,653)
Acquisition of American Bonanza Gold Corp., net of cash acquired (Note 25)	**-**	(1,930,563)
Purchase of property, plant and equipment	**(16,218)**	(838,313)
CASH FROM INVESTING ACTIVITIES	**(570,057)**	(3,035,476)
FINANCING ACTIVITIES		
Proceeds from issue of capital stock, net of issue costs	**6,400,680**	8,435,057
Loans advanced	**1,103,945**	200,000
Promissory note payable	**-**	600,000
Loans repaid	**(441,946)**	(233,412)
Long term loans received	**-**	1,787,694
CASH FROM FINANCING ACTIVITIES	**7,062,679**	10,789,339
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**382,545**	(51,145)
CASH AND CASH EQUIVALENTS, beginning of year	**93,591**	144,736
CASH AND CASH EQUIVALENTS, end of year	**$ 476,136**	$ 93,591

Supplementary cash flow information (Note 21)

The accompanying notes are an integral part to these consolidated financial statements.

KERR MINES INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEARS ENDED JUNE 30, 2015 AND 2014

	Capital Stock	Contributed Surplus	Options	Warrants	Currency Translation	Deficit	TOTAL
Balance, June 30, 2014	**$ 114,307,359**	**$ 4,613,399**	**$ 126,811**	**$ 4,731,891**	**$ -**	**$ (111,983,026)**	**$ 11,796,434**
Net loss for the year	-	-	-	-	-	(25,285,468)	**(25,285,468)**
Other comprehensive income					1,021,740		**1,021,740**
Comprehensive loss							**(24,263,728)**
Shares issued net of costs	9,217,680	-	-	-	-	-	**9,217,680**
Shares issued for debt settlement	616,708	-	-	-	-	-	**616,708**
Warrants issued	(1,002,000)	-	-	1,002,000	-	-	**-**
Broker warrants issued	(58,000)	-	-	58,000	-	-	**-**
Warrants forfeited/expired	-	2,124,891	-	(2,124,891)	-	-	**-**
Stock options forfeited/expired	-	126,811	(126,811)	–	-	-	**-**
Balance, June 30, 2015	**$ 123,081,747**	**$ 6,865,101**	**$ -**	**$ 3,667,000**	**$ 1,021,740**	**$ (137,268,494)**	**$ (2,632,906)**

	Capital Stock	Contributed Surplus	Options	Warrants	Currency Translation	Deficit	TOTAL
Balance, June 30, 2013	**$ 78,466,350**	**$ 3,782,789**	**$ 588,870**	**$ 2,468,442**		**$ (95,593,152)**	**$ (10,286,701)**
Net loss and comprehensive loss for the year	-	-	-	-	-	(16,389,874)	**(16,389,874)**
Shares issued net of cost	38,136,009	-	-	-	-	-	**38,136,009**
Stock options and warrants issued on corporate acquisitions	-	-	25,000	258,000	-	-	**283,000**
Warrants issued	(2,349,000)	-	-	2,349,000	-	-	-
Warrants expired	-	343,551	-	(343,551)	-	-	-
Stock options forfeited/expired	-	487,059	(487,059)	-	-	-	-
Balance, June 30, 2014	**$ 114,307,359**	**$ 4,613,399**	**$ 126,811**	**$ 4,731,891**		**$ (111,983,026)**	**$ 11,796,434**

The accompanying notes are an integral part to these consolidated financial statements.

1. NATURE OF OPERATONS AND GOING CONCERN

Kerr Mines Inc. ("Kerr" or the "Company") is incorporated under the laws of the Province of Ontario, and was formed by articles of amalgamation on December 1, 1998. The principal business activities are directed towards exploring and developing the Copperstone gold property in La Paz County, Arizona, United States; developing mining properties in Virginiatown, Ontario; and exploring for additional gold resources on both the McGarry and the adjacent Kerr-Addison gold mine. To date, the Company has not earned significant revenue as all properties are pre-production.

The Company is listed on the Toronto Stock Exchange, having the symbol KER. The Company's corporate office and principal place of business is located at 400-365 Bay Street, Toronto, Ontario, M5H 2V1, Canada.

As at June 30, 2015, the Company had an excess of current liabilities over current assets of $18,408,191 (June 30, 2014 – $11,424,338), had not yet achieved profitable operations, has accumulated losses of $137,268,494 (June 30, 2014 - $111,983,026) and to incur future losses in the development of its business and the Company requires additional financing to continue to be able to operate, retain rights to its properties and carry out exploration and development of its properties, all of which casts substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements have been prepared on a going-concern basis and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material. While the Company expects to be able to obtain sufficient financing to continue as a going concern, it is not possible to predict whether financing efforts will be successful. Refer to Note 17 for more details.

The Company is in the process of exploring its properties and has not yet determined whether these properties contain economically recoverable reserves. The continued operations of the Company and the amounts recoverable on these properties are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing to complete the necessary exploration and development of such property and upon attaining future profitable production or proceeds from disposition of the properties.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's ability to retain the rights to certain of its properties is dependent upon the Company continuing to make option payments and meet other commitments.

Share consolidation

On July 25, 2014, the Company filed articles of amendment to complete an approved consolidation of the Company's issued and outstanding common shares, warrants and options on a basis of 15 pre-consolidation shares, warrants and options of each post-consolidation share, warrant or option. Earnings per share and all amounts in respect of share capital for all periods presented have been adjusted to reflect this share consolidation.

2. BASIS OF PRESENTATION

(a) Statement of Compliance with International Financial Reporting Standards

The Company's consolidated financial statements, including comparatives, have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended June 30, 2015.

These consolidated financial statements were authorized by the Board of Directors of the Company on September 28, 2015.

(b) Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency, unless otherwise indicated.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(c) New standards and interpretations adopted

The Company applied, for the first time, certain standards and amendments. These include IAS 32 Financial Instruments Presentation, IAS 36 Recoverable Amounts Disclosure for Non-Financial Assets and IFRIC 21 Levies. The nature and effect of these changes are disclosed below.

Several other new standards and amendments apply for the first time in fiscal 2015. However, they do not impact the consolidated financial statements of the Company.

- IAS 32 *Financial instruments, Presentation*.
  In December 2011, effective for annual periods beginning on or after January 1, 2014, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The adoption of this new standard did not result in any changes to the consolidated financial statements.

- Amendments to IAS 36 Impairments of Assets.
  The IASB has published Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). These narrow-scope amendments to IAS 36, Impairment of Assets, address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When developing IFRS 13, Fair Value Measurement, the IASB decided to amend IAS 36 to require disclosures about the recoverable amount of impaired assets. The amendments clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. The adoption of this new standard did not result in any changes to the consolidated financial statements.

2. BASIS OF PRESENTATION, *(continued)*

- IFRIC 21 *Levies*.
  In May 2013, the IASB issued IFRIC 21 – Levies ("IFRIC 21"), an interpretation of IAS 37 – Provision, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligation event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The adoption of this new standard did not result in any changes to the consolidated financial statements.

(d) Standards issued but not yet effective

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 15 *Revenue from Contracts with Customers*. In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2018. Application of the standard is mandatory and early adoption is permitted. The Company has not yet determined the impact of the amendments on the Company's financial statements

IAS 16 Property Plant and Equipment and IAS 38 Intangible Assets - The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The Company is in the process of assessing the impact of IAS 16 and IAS 38 on its consolidated financial statements. The policy will become effective for annual periods starting after, or on January 1, 2014.

Amendments to IFRS 11 Joint Arrangements - The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company is in the process of assessing the impact of these amendments on its consolidated financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 financial year are discussed below:

(a) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

(b) Exploration and evaluation stage

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

(c) 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, 2015 and June 30, 2014, the Copperstone mine had not met this target.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS, *(continued)*

(d) 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.

(e) Impairment of property, plant and equipment (Note 10)

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 13 for more details.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements are prepared by consolidating the financial statements of the Company and its wholly-owned subsidiaries. This includes American Bonanza Gold Corp. and its subsidiary, Bonanza Explorations Inc., and Bear Lake Gold Ltd. and its subsidiary, Maximus Ventures Ltd.

The acquisition of a business is accounted for using the acquisition method. The cost of the acquisition is measured based on the fair value of the consideration provided and allocated to the identified assets and liabilities of the acquiree.

The goodwill arising, if any, is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the fair value of net identifiable assets acquired and the liabilities assumed.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all inter-company balances and transactions between entities in the Company, including any unrealized profits or losses, have been eliminated.

(b) Exploration, evaluation and care and maintenance expenditures

All exploration and evaluation costs (including the cost of acquiring exploration rights), net of incidental revenue, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop the property are capitalized to mineral property. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated reserves as the depletion base. Care and maintenance costs related to a property are expensed as incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *(continued)*

(c) Mineral properties

Mine development costs, including reclassified acquisition and exploration and evaluation assets are recorded at cost less accumulated amortization and accumulated impairment losses. Costs associated with commissioning new assets, net of incidental revenue, are capitalized as mineral property costs until commercial production has commenced. The Copperstone project had not reached commercial production as at June 30, 2015.

Mine development and stope access incurred during the development of a mine are capitalized into mineral property. Mine development and stope access incurred during the commercial production phase are production costs that are included in the costs of inventories produced during the period that these costs are incurred, unless the mine development and stope access activity can be shown to give rise to future benefits from the mineral property such as increased reserves, in which case the costs would be capitalized to mineral property.

The carrying values of mineral properties, plant and equipment are depreciated to their estimated residual values over their estimated useful lives or the estimated useful life of the associated mine, if shorter.

Mineral property acquisition and development costs and certain plant and equipment are depreciated on a unit of production basis based upon proven and probable reserves. Depreciation related to production activities is initially recorded in inventories when ore is extracted from the mine. As the Company is in the commissioning stage, the depreciation is recorded in mineral property in the same period as the capitalized revenue from the sale of the inventories.

Other equipment is amortized on a straight-line basis over their estimated life of five to seven years.

Amortization methods and useful lives are reviewed at each annual reporting date.

(d) Foreign currencies

Functional and presentation currency
Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The presentation and functional currency of the Company and all of its subsidiaries is the Canadian dollar except for its United States subsidiaries which is the United States dollar ("US$").

For a foreign operation whose functional currency is not the Canadian dollar, the foreign operation's assets and liabilities are translated to the presentation currency at the closing rate as at the date of the consolidated statements of financial position, and revenue and expenses are translated using the rate as at the time of the transaction. All exchange differences resulting from the translation are recognized in other comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *(continued)*

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net income (loss).

(e) Cash and cash equivalents

The Company considers unrestricted short-term debt securities purchased with a remaining maturity at the date of acquisition of three months or less to be cash equivalents. Restricted investments are excluded from cash equivalents.

(f) Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged net income (loss) over the period of the lease and is calculated using the effective interest rate method. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statements of operations and comprehensive loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

(g) Taxation

Income tax expense represents the sum of current and deferred income taxes.

Current income taxes
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the consolidated statements of financial position.

Deferred income taxes
Deferred income taxes are provided using the liability method on temporary differences at the date of the consolidated statements of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *(continued)*

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the

deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the consolidated statements of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the consolidated statements of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the consolidated statements of financial position.

Deferred income taxes relating to items recognized directly in equity are recognized in equity and not in the consolidated statements of operations and comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

(h) Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive.

(i) Property, plant and equipment

Property, plant and equipment other than land are carried at cost less accumulated depreciation and accumulated impairment losses. Land is carried at cost less accumulated impairment losses. The cost of property, plant and equipment comprises their purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated close down and restoration costs associated with the asset.

Depreciation is recorded over the shorter of the useful life of the asset or the remaining life of the mine. Depreciation for the major categories of property, plant and equipment is as follows;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *(continued)*

Straight-line Basis
Assets within operations for which usage is not expected to fluctuate significantly from one year to another are depreciated on a straight-line basis as follows:

Buildings	15 years
Computer equipment	1 - 5 years
Motor vehicles	10 years
Mine and mill equipment	3 - 15 years

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

(j) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL"). The Company initially recognizes loans and receivables on the date they are originated. All other financial assets are recognized on the trade date at which the Company becomes party to the contractual provisions of the instruments.

Subsequent to initial recognition, financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's marketable securities are classified as FVTPL.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost. The Company's cash and cash equivalents and accounts receivable and sundry assets are classified as loans and receivables.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. During the periods presented, the Company has not classified any financial assets as available-for-sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the rights and rewards of ownership of the financial asset are transferred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *(continued)*

(k) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities on the trade date at which the Company becomes party to the contractual provisions of the instrument.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a

financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, promissory note payable, loans and borrowings and convertible promissory note payable debt are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as FVTPL unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the consolidated statements of operations and comprehensive loss.

(l) Impairment of financial assets

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

(m) Impairment of non-financial assets

At each date of the consolidated statements of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss or when annual impairment testing for an asset is required. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *(continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is

recognized immediately in the consolidated statements of operations and comprehensive loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Goodwill is tested for impairment annually (as at June 30, 2015) and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each cash generating unit (or group of cash generating units) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(n) Inventories

Supplies inventory includes the cost of consumables used in operations and is valued at the lower of average cost and net realizable value. Replacement cost is being used to estimate net realizable value.

Product inventories comprise ore concentrate, ore in stockpiles and work-in-progress. Product inventories are recorded at the lower of average cost and net realizable value. Stockpiled ore is coarse ore that has been extracted from the mine and is available for further processing. Stockpiled ore is valued at the lower of average production cost and net realizable value. The cost of stockpiled ore includes the cost of mining the ore and associated amortization and depletion and other overhead allocations. Costs based on the average cost per tonne stockpiled are removed from stockpiled ore and added to work in process inventory when crushed.

Work-in-progress includes crushed ore, materials, direct labour, other direct costs, production overheads, depletion and amortization of plant, equipment and mineral properties directly involved in the mining and production processes. Waste removal costs related to production are inventoried as incurred. When inventories have been written down to net realizable value, a new assessment of net realizable value is made in each subsequent period. When the circumstances that caused the write-down no longer exist, the amount of the write-down is reversed.

(o) Provisions

Reclamation and remediation
Costs for reclamation and remediation are a normal consequence of mining, and the majority of these costs are incurred at the end of the life of the mine. A provision is made for estimated close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of the affected areas) in the financial period when the related environmental obligation occurs, based on the estimated future costs using information available at the statement of financial position date. The costs are estimated on the basis of a closure plan which represents management's best estimate of the costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *(continued)*

The provision is discounted using a risk-free rate. At the time of establishing the provision, a corresponding asset is capitalized within mineral property for amounts carried on the consolidated statements of financial position and expensed when the mineral property is expensed as an exploration and evaluation expenditures. When capitalized, it is depreciated over future production from the operations to which it relates.

The provision is reviewed on an annual basis to reflect known developments, such as revisions to cost estimates and to the estimated lives of operations, and for changes to legislation or discount rates. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

Other provisions
Provisions are recognised when the Company has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted to the net present value using an appropriate current market-based pre-tax discount rate.

(p) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed by way of note unless the likelihood of them crystallizing is considered remote.

Contingent assets are not recognised in the consolidated financial statements but are disclosed by way of note if they are deemed probable.

(q) Share-based compensation

The Company has a share-based compensation plan described in Note 15 which is accounted for in accordance with the requirements of IFRS 2. Under the plan, the Company can grant options to directors, senior officers and employees of or consultants to the Company or employees of a corporation providing management services to the Company.

For transactions with directors, senior officers, employees and others providing similar services (collectively referred to hereinafter as employees), the fair value of the equity-settled awards is measured at the initial grant date and is recognized as assets for the portion that qualifies for recognition as assets and the balance as an expense with a corresponding amount credited to equity, on a straight-line basis over the vesting period after adjusting for the estimated number of awards that are expected to vest.

For transactions with non-employees, the fair value of the equity-settled awards is measured at the fair value of the goods or services received, at the date the goods or services are received by the Company. In cases where the fair value of goods or services received cannot be reliably estimated, the Company estimates the fair value of the awards at the date of grant.

The Company may also issue broker warrants, as part of private placements. The warrants are also accounted for in accordance with the requirements of IFRS 2, following the same principles as outlined above for the transactions with non-employees.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *(continued)*

(r) Flow-through shares

Under Canadian income tax legislation, a Company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. For accounting purposes, the proceeds from issuance of these shares are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized for this difference. The liability is reduced and the reduction of premium liability is recorded in other income on a pro rata basis based on the corresponding eligible expenditures that have been incurred and it is the Company's intention to file the appropriate renunciation forms with the Canadian taxation authorities.

(s) Revenue recognition

The principal product from the mining operations of the Company is expected to be the sale of gold doré bars. The doré bars are a low-purity gold metal which is sent to a refiner that will further purify the doré bars to produce tradable gold bars of high purity (gold bullion).

Revenue associated with the sale of the doré bars is recognized when all significant risks and rewards of ownership of the asset sold are transferred to the refiner, which is when the commodity has been received by the refiner (Time of Receipt). At the Time of Receipt, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the gold and the costs incurred or to be incurred in respect of the sale can be reliably measured. Revenue is recognised at fair value of the consideration receivable to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised at the Time of Receipt for the minimum determinable or agreed amount of gold at that time, with any adjustment between the preliminary and final settlement when the latter is determined.

(t) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are measured at the exchange amount, being the amount agreed by the parties to the transaction.

5. RESTRICTED INVESTMENTS

	Note		**June 30, 2015**		June 30, 2014
Restricted investments:					
GIC bearing interest of 1.30% (June 30, 2014 - 1.30%), matures on July 14, 2015 (June 30, 2014 – July 14, 2014)	(a)	**$**	**447,864**	$	442,352
GIC bearing interest of 0.80%, matures on May 12, 2015, redeemed January 27, 2015.	(b)		**-**		20,021
Short-term cashable account	(c)		**1,019,184**		870,672
		$	**1,467,048**	$	1,333,045
Reclamation bonds:					
US Bureau of Land Management	(c)		**25,201**		21,511
Ministry of Northern Development and Mines	(d)		**53,060**		53,060
		$	**78,261**	$	74,571
Total:		**$**	**1,545,309**	$	1,407,616

5. RESTRICTED INVESTMENTS, (continued)

(a) Letters of credit are secured by the GIC investment as disclosed in Note 19.

(b) The Company initially set up a deposit to secure credit cards through a GIC investment. The cards were never issued and as such the GIC was redeemed on January 27, 2015.

(c) Pursuant to the term of the surety bond, the Company provided cash collateral of $1,019,184 or US$871,047 (June 30, 2014 - $870,672 or US$815,541) which is held with the Bank of New York in the name of the Company. The cash collateral is held in a short term cashable account. The remaining $25,201 (June 30, 2014- $21,511) of the reclamation bond is still held by the US Bureau of Land Management relating to the Copperstone project as at June 30, 2015 and 2014.

(d) The Company has a cash deposit of $53,060 (including accumulated interest) with the Ministry of Northern Development and Mines of the province of Ontario (“MNDM”) to cover a portion of the asset retirement obligations (AROs) related to the Cheminis property.

6. ACCOUNTS RECEIVABLE AND SUNDRY ASSETS

		June 30, 2015		June 30, 2014
HST receivable	$	20,748	$	178,005
Hydro deposit		60,990		60,990
Other receivables		15,000		30,179
Total accounts receivable and sundry assets	$	96,738	$	269,174

As at June 30, 2015, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 17.

The Company holds no collateral for any receivable amounts outstanding as at June 30, 2015 and 2014.

7. MARKETABLE SECURITIES

Marketable securities are comprised of shares of publicly traded companies as per the table below:

		June 30, 2015		June 30, 2014
Marketable securities	**$**	**2,767**	$	8,685
	$	**2,767**	$	8,685

As of June 30, 2015, these investments were measured at their fair value of $2,767 (June 30, 2014 - $8,685). The impact to the consolidated financial statements of the revaluation to market value for the year ended June 30, 2015 resulted in an unrealized loss of $5,918 (2014 – $nil) as the values of these securities decreased. During the year ended June 30, 2015, the Company sold 6,666,667 shares in Pinetree Capital Ltd. it had acquired through the private placement described in note 14(i), for proceeds of $1,002,140, which resulted in a realized loss of $1,664,860 (2014 – $nil).

8. MINERAL PROPERTIES

The mineral property additions and evaluation, exploration and care and maintenance expenses for the Company on its properties are broken down as follows:

Mineral properties (statement of financial position):		**June 30, 2015**		**June 30, 2014**
Copperstone Property – acquisition (Note 25)	**$**	**9,701,569**	$	9,701,569
Impairment (Note 10)		**(2,431,104)**		-
Total	**$**	**7,270,465**	$	9,701,569

Exploration, evaluation and care and maintenance expenditures (statement of operations and comprehensive loss):		**Year ended June 30, 2015**		**Year ended June 30, 2014**
Bear Lake Property – acquisition (Note 25)	**$**	**6,451**	$	6,810,104
McGarry Property		**840,745**		4,096,704
Copperstone Property		**1,885,864**		-
Kerr-Addison Property		**-**		50,159
Other Properties		**-**		309,998
Total	**$**	**2,733,060**	$	11,266,965

Copperstone

The Company is engaged in exploring and developing the Copperstone gold property (“Copperstone Project”) in La Paz County, Arizona, United States. The Copperstone mine was in the commissioning stage up to October 11, 2013 when the mine was placed on care and maintenance.

The Company holds a 100% leasehold interest in the Copperstone Project. The landlord is The Patch Living Trust. The current lease expires June 12, 2016. 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 Project as of June 30, 2015, and all claims are in good standing.

Southwest Target of Copperstone Mine

The Company owns 100% interest in certain mining claims and property comprising the Southwest target at the Company’s Copperstone gold mine. The claims consist of 50 claims that are outside of the Copperstone mining area and represent longer term exploration potential.

McGarry Property

The McGarry Property is located in the southwestern part of McGarry Township within the Larder Lake Mining Division of Ontario, Canada. The McGarry Property consists of 34 contiguous, patented mining claims (31) and mining licenses of occupation (3) totaling 1,112.0 acres with surface rights on a majority of the claims totaling 975.56 acres. The mining rights and surface rights are all in good standing and are maintained by the payment of annual taxes since no work requirements exist.

8. MINERAL PROPERTIES, (continued)

The McGarry property is owned 75% by Kerr Mines Inc. and 25% by Jubilee Gold Inc. All proceeds of production from the property are to the Company, subject to a royalty interest held by Jubilee Gold Inc. which provides for a net smelter royalty payable to Jubilee starting at 2% and increasing to 4% when the price of gold exceeds US$800 per ounce or an advance royalty of $21,573 payable quarterly (subject to cost of living adjustments). The Company is in compliance with the Jubilee Agreement (Note 19).

The McGarry mineral property has been pledged as security for a loan payable (Note 11).

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 which was recorded against exploration and evaluation expenditures; and (ii) a 1% net smelter royalty on these two 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.

Barber Larder Property

The Barber Larder Property consists 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 Company's McGarry Property.

Bear Lake Property - Option and Joint Venture Agreement with Gold Fields

Gold Fields has the option to earn an interest of up to 60% on the Company's 100%-held Bear Lake, Cheminis and Fernland properties and on the 75%-held Swansea property (the "Projects") by sole funding $40 million in exploration and development expenditures on the Projects. Gold Fields can earn an initial 51% interest by spending $25 million on the Projects over a period of 36 months, including a firm commitment of $5 million during the initial 12-month period. Gold Fields can earn an additional 9% interest by spending a further $15 million over a period of 24 months following the initial 36-month term. If a development decision is made, the Company will have the option to finance its share of the development costs through a loan arranged by Gold Fields with it receiving an additional 5% interest. If the Company arranges its own financing, it will retain a 40% interest in the joint venture.

9. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Mine and Mill Equipment	Motor Vehicles	Computer Equipment	Mill	Total
COST						
Balance as at July 1, 2013	$ 41,000	$ 1,943,498	$ 20,520	$ 25,642	$ 1,500,000	$ 3,530,660
Additions	29,985	323,251	75,000	28,975	381,102	838,313
Acquired on corporate acquisitions	2,144,769	431,999	2,223,255	49,788	7,359,635	12,209,446
Balance as at June 30, 2014	$ 2,215,754	$ 2,698,748	$ 2,318,775	$ 104,405	$ 9,240,737	$ 16,578,419
Additions	3,829	-	12,389	-	-	16,218
Disposals	-	-	(50,000)	-	(1,881,102)	(1,931,102)
Impairment					(3,368,013)	(3,368,013)
Foreign exchange	367,791	65,138	381,422	8,683	1,262,619	2,085,653
Balance as at June 30, 2015	$ 2,587,374	$ 2,763,886	$ 2,662,586	$ 113,088	$ 5,254,241	$ 13,381,175
DEPRECIATION						
Balance as at July 1, 2013	$ 22,383	$ 997,439	$ 20,520	$ 23,898	$ -	$ 1,064,240
Additions	4,373	237,031	7,813	6,056	-	255,273
Balance as at June 30, 2014	$ 26,756	$ 1,234,470	$ 28,333	$ 29,954	$ -	$ 1,319,513
Additions	9,356	909,988	16,655	49,354	-	985,353
Disposals	-	-	(9,373)	-	-	(9,373)
Balance as at June 30, 2015	$ 36,112	$ 2,144,458	$ 35,615	$ 79,308	$ -	$ 2,295,493
CARRYING AMOUNTS						
Balance as at July 1, 2013	$ 18,617	$ 946,059	$ -	$ 1,744	$ 1,500,000	$ 2,466,420
Balance as at June 30, 2014	$ 2,188,998	$ 1,464,278	$ 2,290,442	$ 74,451	$ 9,240,737	$ 15,258,906
Balance as at June 30, 2015	**$ 2,551,262**	**$ 619,428**	**$ 2,626,971**	**$ 33,780**	**$ 5,254,241**	**$ 11,085,682**

On February 5, 2015, the Company settled an outstanding amount of $625,645 by returning certain fixed assets to a creditor with a value of $1,881,102. As part of the agreement the creditor granted a complete final release and discharges Kerr from all manner of claims, actions or demands. For the year ended June 30, 2015, included in the loss on disposal of property, plant and equipment of $1,274,843 recorded in the statement of operations and comprehensive loss is $1,255,457 in relation to the above settlement.

10. IMPAIRMENT

	June 30, 2015
Mineral properties	2,431,104
Property plant and equipment	3,368,013
Goodwill	7,303,975
	13,103,092

The Company assesses at the end of each reporting period whether there is any indication, from external and internal sources of information, that an asset or cash generating unit ("CGU") and goodwill may be impaired. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of the mineral properties, property, plant and equipment and goodwill. Predominantly due to the significant decline in metal prices during the year, the Company has determined that indicators of impairment existed as of June 30, 2015, and as such, has performed a test for recoverability of the value of the assets which is also the date the Company performs the annual goodwill impairment test. The Company has two CGUs: U.S. and Canada. All of the Company's goodwill is allocated to the U.S. CGU. Further, the Company determined that only the U.S. CGU had indicators of impairment.

The recoverable amount of the Company's Copperstone Mine (i.e. the U.S. CGU) was determined based on the after-tax discounted cash flows expected to be derived from this property's fair-market value less estimated costs to sell. The after-tax discounted cash flows were determined based on life-of-mine cash flow projections which incorporate

10. IMPAIRMENT, (continued)

management's best estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size, grade and recovery of the ore bodies. As a result of impairment tests performed as at June 30, 2015, the Company recorded a full impairment of goodwill. The remaining impairment loss has been proportionately allocated to property, plant and equipment and mineral properties. The fair value models are considered to be Level 3 within the fair value hierarchy. Key assumptions used in the fair value models used as at June 30, 2015 include discount rate of 8% based on risk adjusted comparable discount rates for mining projects, estimated long-term gold price of US$1,225 based on observable market data including spot price and industry analyst consensus, and a mine life of up to 5 years.

11. LOAN PAYABLE

		June 30, 2015		June 30, 2014
Loan principal (Promissory Note)	**$**	**4,609,763**	$	4,609,763
Interest accrued (i)		**691,465**		138,293
Balance, end of the year	**$**	**5,301,228**	$	4,748,056

This loan was a promissory note with no fixed terms of repayment and an interest rate of 12%. The promissory note in the amount of $4,609,763 was amended in January 2014 to a maturity date of November 20, 2020. Under the terms of the amended agreement, interest payments are accrued and are payable on a quarterly basis. As of June 30, 2015, the lender extended the June 30, 2014, September 30, 2014, December 31, 2014, March 31, 2015 and June 30, 2015 interest payments to June 30, 2015. As of June 30, 2015, these interest payments have not yet been made and are due on demand which is considered a default and therefore the loan payable has been classified as current. The McGarry mineral property has been pledged as security for the loan payable (Note 8).

(i) Accrued interest of $691,465 (June 30, 2014 - $138,293) for the three month quarters ended June 30, 2015, March 31, 2015, December 31, 2014, September 30, 2014 and June 30, 2014 has been included in accounts payable and accrued liabilities.

12. CONVERTIBLE PROMISSORY NOTE

The Company entered into an agreement to issue a convertible promissory note in the amount of US$2,100,000 ($2,622,900) to Northern Energy and Mining Inc. (the "Kerr Debenture"), under an amendment to a previously outstanding gold loan upon closing of the business acquisition as described in Note 25. The Kerr Debenture bears interest at the rate of 6% per annum, with six semi-annual payments of principal and interest of US$410,914 ($513,232) commencing on June 20, 2015. The first payment due June 20, 2015 was not made and is payable on demand and represents a default and therefore the entire convertible promissory note has been classified as current. Interest was accrued and added to the principal for the first twelve (12) months. Kerr will have the option to pre-pay the Kerr Debenture in part or in whole at any time eighteen (18) months after the issuance date of June 27, 2014 on thirty (30) days' notice. The Kerr Debenture is secured by a general security interest in the property of Bonanza Explorations Inc. and all the outstanding share capital of the Company's wholly-owned subsidiary Bonanza Exploration Inc. The principal amount of the Kerr Debenture is convertible into common shares of Kerr at the holder's option at a price of $0.90 per share.

The conversion option is considered an embedded derivative as it is denominated in US$ whereas the Company's functional currency is the Canadian dollar. The feature is classified as a current liability on the statement of financial position and is carried at fair value as determined by the Black-Scholes option pricing model, with changes in fair value recorded as gains or losses in the statement of comprehensive loss.

As at June 30, 2015, the derivative in convertible promissory note is valued at $40,000 (June 30, 2014 - $207,000). The assumptions in valuing the embedded derivative at June 30, 2015 include an expected volatility of 115%, a risk free interest rate of 0.49% and an expected life of 2.5 years. The decrease in value of the derivative in convertible promissory note resulted in a gain of $167,000 (2014 - $nil) for the year ended June 30, 2015.

13. PROVISIONS - RECLAMATION AND REMEDIATION

The Company's asset retirement obligation relates to the cost of removing and restoring of the Kerr Mine in the Township of McGarry, the Copperstone Mine in La Paz County, Arizona and the Cheminis property in Ontario. Significant reclamation and closure activities include land rehabilitation, demolition of buildings and mine facilities, ongoing care and maintenance and other costs. This estimate depends on the development of environmentally acceptable mine closure plans.

A continuity for asset retirement obligations is as follows:

	McGarry	Copperstone	Cheminis	Total
Balance, June 30, 2013	$ 394,815	$ -	$ -	$ 394,815
Asset retirement obligation on corporate acquisition (Note 25)	-	1,721,427	343,000	2,064,427
Accretion expense for the year	13,365	-	-	13,365
Balance, June 30, 2014	408,180	1,721,427	343,000	2,472,607
Accretion expense for the year	14,788	42,619	12,178	69,585
Foreign exchange	-	297,852	-	297,852
Balance, June 30, 2015	$ 422,968	$ 2,061,898	$ 355,178	$ 2,840,044

McGarry:

The mine closure provision liability is based upon the following estimates and assumptions:

a) Total undiscounted amount of future retirement costs was estimated to be $435,160 to which the Company has provided a letter of credit as disclosed in Note 19(b).
b) Risk-free rate at 3.504%.
c) Expected timing of cash outflows required to settle the obligation is for the full amount to be paid in 2021.
d) Inflation over the period from is estimated to be 2% per annum.

Copperstone:

The mine closure provision liability is based upon numerous estimates and assumptions, as follows:

a) Total undiscounted amount of future retirement costs was estimated to be US$1,827,895 (Cdn$2,280,116) to which the Company has provided cash collateral as disclosed in Note 19(c).
b) Risk-free rate at 2.2%.
c) Expected timing of cash outflows required to settle the obligation is for the full amount to be paid in 2021.
d) Inflation over the period up to 2021 was estimated to be 2% per annum.

Cheminis:

The mine closure provision liability is based upon numerous estimates and assumptions, as follows:

a) Total undiscounted amount of future retirement costs was estimated to be $406,500 to which the Company has provided a reclamation bond as disclosed in Note 5(d).
b) Risk-free rate at 3.504%.
c) Expected timing of cash outflows required to settle the obligation is for the full amount to be paid in 2022.
d) Inflation over the period up to 2022 was estimated to be 2% per annum.

14. CAPITAL STOCK

The Company is authorized to issue an unlimited number of common shares. The following is a summary of changes in common share capital:

	Number of Shares	Amount
Balance - June 30, 2013	15,600,782	$ 78,466,350
Debt conversion to equity (a)	5,333,333	4,000,000
Shares issued in financing (b)	5,200,000	3,900,000
Shares issued in financing (c)	2,333,333	1,750,000
Shares issued in financing (d)	2,804,000	2,103,000
Debt conversion to equity (e)	80,000	60,000
Shares issued for property (f)	350,000	210,000
Debt conversion to equity (g)	2,859,356	1,930,065
Shares issued in financing (h)	1,333,333	1,000,000
Shares issued on corporate acquisitions (Note 24)	52,344,193	23,554,887
Share issue costs	–	(317,943)
Share issuance proceeds allocated to warrants	–	(2,349,000)
Balance, June 30, 2014	**88,238,330**	**$ 114,307,359**
Shares issued in financing (i)	6,666,667	2,667,000
Shares issued in financing (i)	333,333	150,000
Shares issued in financing (j)	14,573,334	4,372,000
Debt conversion to equity (k)	1,260,710	100,857
Debt conversion to equity (l)	4,912,862	515,851
Shares issued in financing (m)	12,500,000	2,500,000
Share issue costs	–	(471,320)
Share issuance proceeds allocated to warrants (j), (m)	–	(1,002,000)
Share issuance proceeds allocated to broker warrants (i)	–	(58,000)
Balance, June 30, 2015	**128,485,236**	**$ 123,081,747**

Diluted weighted average number of shares outstanding

	Year ended June 30, **2015**	2014
Basic weighted average shares outstanding	**112,425,831**	26,060,883
Diluted weighted average shares outstanding	**112,425,831**	26,060,883

The stock options and warrants outstanding were excluded from the calculation of diluted loss per share as the Company reported a net loss for the years shown and therefore the impact of these instruments would be antidilutive.

(a) On November 19, 2013 the Company entered into a debt conversion agreement whereby $4,000,000 of debt was extinguished by the issuance of 5,333,333 common shares valued at $0.75 per share. There were also 2,000,000 warrants issued. Each warrant entitles the holder to acquire a common share at a price of $1.20 until they expire on December 30, 2016.

The fair value of the 2,000,000 share purchase warrants was estimated at $510,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.24%; volatility 78% and an expected life of 37 months.

14. CAPITAL STOCK, (continued)

(b) On December 30, 2013, the Company closed a non-brokered private placement. There were 5,200,000 units issued at a price of $0.75 per unit for gross proceeds of $3,900,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire a common share at a price of $1.20 until they expire on December 30, 2016. The fair value of the 5,200,000 common share purchase warrants was estimated at $1,037,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.20%; volatility 77% and an expected life of 36 months.

(c) On January 23, 2014, the Company closed a non-brokered private placement. The Company issued 2,333,333 units of the Company at a price of $0.75 per unit for gross proceeds of $1,750,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire a common share at a price of $1.20 per share for a period of three years from the date of issuance.

The fair value of the 2,333,333 share purchase warrants was estimated at $802,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.18%; volatility 78% and an expected life of 36 months.

(d) On March 25, 2014, the Company closed a non-brokered private placement. The Company issued 2,804,000 common shares of the Company at a price of $0.75 per share for gross proceeds of $2,103,000.

(e) On March 19, 2014, the Company entered into a conversion agreement whereby $60,000 of accounts payable were extinguished by the issuance of 80,000 common shares valued at $0.75 per share based on the stock market price on the date of settlement.

(f) On February 25, 2014, the Company issued 350,000 shares as payment in connection with a property option agreement. The fair value of the shares issued was $0.60 per share.

(g) On April 14, 2014, the Company entered into a conversion agreement whereby $2,144,517 of accounts payable were extinguished by the issuance of 2,859,356 common shares. The common shares were valued at $1,930,065 based on the stock market price on the date of settlement. As a result, the Company recorded a gain on settlement of debt of $214,453 for the year ended June 30, 2014.

(h) On April 30, 2014, the Company closed a non-brokered private placement. The Company issued 1,333,333 shares of the Company at a price of $0.75 per share for gross proceeds of $1,000,000.

(i) On July 31, 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.

The fair value of the 333,333 share purchase warrants was estimated at $58,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.10%; volatility 86% and an expected life of 24 months.

14. CAPITAL STOCK, (continued)

(j) On October 1, 2014, the Company closed a non-brokered private placement. The Company issued 14,573,334 units of the Company at a price of $0.30 per unit for gross proceeds of $4,372,000. Each unit was comprised of one common share and one half of one common share purchase warrant. Each warrant entitles the holder to acquire a common share at a price of $0.39 per share for a period of two years from the date of issuance.

The fair value of the 7,286,668 share purchase warrants was estimated at $627,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.13%; volatility 86% and an expected life of 24 months.

(k) On December 10, 2014, the Company entered into a conversion agreement whereby $551,991 of accounts payable were extinguished by the issuance of 1,260,710 common shares. The common shares were valued at $100,857 based on the stock market price on the date of settlement. As a result, the Company recorded a gain on settlement of debt of $451,134 for the year ended June 30, 2015.

(l) On January 27, 2015, the Company entered into conversion agreements whereby $353,900 of accounts payable were extinguished by the issuance of 4,912,862 common shares and cash payments of $10,000. The common shares were valued at $515,851 based on the stock market price on the date of settlement. As a result, the Company recorded a loss on settlement of debt of $171,951 for the year ended June 30, 2015.

(m) On March 4, 2015, the Company closed the first tranche of a non-brokered private placement. The Company issued 12,500,000 units of the Company at a price of $0.20 per unit for gross proceeds of $2,500,000. Each unit was comprised of one common share and one half of a common share purchase warrant. Each warrant entitles the holder to acquire a common share at a price of $0.30 per share for a period of two years from the date of issuance.

The fair value of the 6,250,000 share purchase warrants was estimated at $375,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 0.61%; volatility 116% and an expected life of 24 months.

15. OPTIONS

The purpose of the Company's stock option plan is to provide incentives to directors, officers, employees and consultants of the Company. The maximum number of common shares reserved for issuance upon exercise of the options is 10% of issued and outstanding shares. The Board of Directors may designate the recipients of options and determine the number of common shares covered by each option, its exercise price (which may not be less than closing market price of the common shares on the trading day prior to the grant) and its expiry date. The stock option will vest immediately on the date of the grant. The term of the options shall not exceed five years from the date of grant.

Option pricing models require the input of highly subjective assumptions noted above. Changes in the subjective input assumptions can materially affect the fair value estimate.

15. OPTIONS, (continued)

The changes in stock options issued during the year ended June 30, 2015 and 2014 are as follows:

	June 30, 2015			June 30, 2014		
	Options		**Weighted Average Exercise price**	Options		Weighted Average Exercise price
Outstanding at beginning of year	**799,734**	**$**	**4.46**	438,833	$	4.65
Granted	**-**		**-**	681,068		4.51
Forfeited/Expired	**(799,734)**		**4.46**	(320,167)		4.73
Outstanding at end of year	**-**	**$**	**-**	799,734	$	4.46
Exercisable at end of year	**-**	**$**	**-**	799,734	$	4.46

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the share-based payments for the stock options issued during the year ended June 30, 2014, which were all on account of corporate acquisitions:

		May 22, 2014		May 22, 2014		May 22, 2014		June 27, 2014
No. of options		141,867		37,333		340,667		7,067
Exercise price	$	1.05		1.50	$	3.15	$	10.35
Expected life in years		1		1		1		1
Volatility		94%		94%		94%		93%
Risk-free interest rate		0.99%		0.99%		0.99%		1.01%
Dividend yield		-		-		-		-
Vesting on grant date		100%		100%		100%		100%
Fair value of options	$	17,000	$	3,000	$	5,000	$	-

		June 27, 2014		June 27, 2014		June 27, 2014		June 27, 2014		Total
No. of options		3,533		112,441		28,266		9,893		681,067
Exercise price	$	10.80	$	10.95		15.00	$	2.55		
Expected life in years		1		1		1		0.1		
Volatility		93%		93%		93%		120%		
Risk-free interest rate		1.01%		1.01%		1.01%		1.01%		
Dividend yield		-		-		-		-		
Vesting on grant date		100%		100%		100%		100%		
Fair value of options	$	-	$	-	$	-	$	-	$	25,000

Expected volatility is arrived at by calculating the Company's historical share volatility for a period comparable to the expected life of the options. The Company will then adjust the historical volatility to reflect its best estimate (using comparable market corporations and indexes) of the future volatility of the stock price.

16. WARRANTS

The following table summarizes information about warrants outstanding as at June 30, 2015:

Exercise price		Expiry date	Warrants outstanding
$	0.30	3/4/2017	6,250,000
$	1.20	12/31/2016	2,000,000
$	1.20	12/30/2016	5,200,000
$	0.39	10/01/2016	7,286,668
$	0.60	7/31/2016	333,333
$	2.40	5/22/2016	6,364,470
$	1.20	1/23/2016	2,333,334
			29,767,805

The changes in warrants outstanding for the year ended June 30, 2015 and 2014 are as follows:

	Number of warrants	Weighted average exercise price	
Warrants outstanding – June 30, 2013	2,316,536	$	4.50
Issued (Notes 14(a), (b), (c))	9,533,333		1.20
Issued on corporate acquisition (Note 25)	6,703,705		2.83
Expired	(255,902)		3.75
Warrants outstanding – June 30, 2014	**18,297,672**	**$**	**2.19**
Issued (Notes 14(i), (j))	13,870,001		0.35
Expired	(2,399,868)		5.54
Warrants outstanding – June 30, 2015	**29,767,805**	**$**	**1.06**

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the warrants issued on corporate acquisitions:

		May 22, 2014		June 27, 2014		June 27, 2014		June 27, 2014	Total
No. of warrants		6,364,470		212,035		91,867		35,333	6,703,705
Exercise price	$	2.40	$	14.10	$	5.70	$	5.70	
Expected life in years		2		0.25		0.86		0.91	
Volatility		84%		89%		87%		86%	
Risk-free interest rate		1.05%		1.01%		1.01%		1.01%	
Dividend yield		–		–		–		–	
Fair value of warrants								$	$
	$	258,000	$	–	$	–		–	258,000

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and sundry assets, restricted investments, accounts payable and accrued liabilities, promissory note payable, loans and borrowings, loan payable, convertible promissory note, and net smelter return payable. As at June 30, 2015, the carrying values of the cash and cash equivalents, accounts receivable and sundry assets, marketable securities, restricted investments, accounts payable and accrued liabilities and promissory note payable approximate their fair values since they are expected to be settled in the short-term. Loans and borrowings, loans payable and the convertible promissory note also have carrying amounts that approximate their fair values at June 30, 2015 as the rates on these loans approximate the current rates that Kerr could secure on the market. The derivative in the convertible promissory note is marked-to-market at each period end and so the carrying amount also represents the fair value.

Fair Value Measurements of Financial Assets and Liabilities Recognized and Disclosed in the Consolidated Statements of Financial Position

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

As at June 30, 2015	**Level 1 $**	**Level 2 $**	**Level 3 $**
Marketable securities	**2,767**	–	–
Restricted investments	**1,545,309**	–	–
Loans and borrowings	–	**6,693,187**	–
Convertible promissory note	–	**2,675,150**	–
Derivative in convertible promissory note	–	**40,000**	–
Net smelter return payable	–		**849,312**

As at June 30, 2014	**Level 1 $**	**Level 2 $**	**Level 3 $**
Marketable securities	8,685	–	–
Restricted investments	1,407,616	–	–
Promissory note payable	600,000		
Loans and borrowings	–	5,881,188	–
Convertible promissory note	–	2,033,700	–
Derivative in convertible promissory note	–	207,000	–
Net smelter return payable	–		746,021

Interest Rate and Credit Risk

The Company has cash and restricted investment balances. The Company currently invests in fixed rate Government of Canada Treasury Bills with maturity dates of approximately 90 days. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal risk.

An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information when necessary. As at June 30, 2015, there were no receivables past due.

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

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS, (continued)

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2015, the Company had cash and cash equivalents of $476,136 (June 30, 2014 - $93,591) to settle current financial liabilities of $19,522,561 (June 30, 2014 - $12,171,344). The Company is currently seeking equity financing. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Kerr might change and shareholders may suffer additional dilution.

The following table details the Company's contractual maturities for its financial liabilities as at June 30, 2015, due by year:

	Total	2016	2017	2018	Thereafter
Accounts payable and accrued liabilities	$ 10,551,039	$ 10,551,039	$ -	$ -	$ -
Net smelter return payable (Note 19)	849,312	-	-	-	849,312
Finance leases (Note 23)	19,187	$ 8,552	9,761	874	-
Convertible promissory note payable (Note 12)	2,622,900	$ 2,622,900	-	-	-
Loan payable (Note 11)	4,609,793	$ 4,609,793	-	-	-
Other loans (Note 23)	1,707,910	$ 1,562,326	145,584	-	-
NOHFC (Note 23)	269,304	$ -	-	-	269,304
KDCDC (Note 23)	87,023	$ 87,023	-	-	-
	$ 20,716,468	$ 19,441,633	$ 155,345	$ 874	$ 1,118,616

Currency Risk

The Company's exploration activities are conducted in Ontario, Canada and Nevada, United States. Major purchases and exploration expenditures are transacted in both Canadian dollars and US dollars. Administrative expenditures and cash and cash equivalents balances are primarily transacted in Canadian dollars. The Company has exposure to foreign currency risk. The Company mitigates the risk of foreign currency fluctuations by converting US dollars to Canadian currency when required to fund expenditures.

Sensitivity Analysis

The carrying amount of financial instruments approximates their fair market value. The movement on cash and cash equivalents interest rates by a plus or minus 1% change would have no material impact on the value of those items.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

(i) The Company has restricted cash as at June 30, 2015 at a fixed interest rate of between 0.80% and 1.30% per annum. An increase in the interest rate of 1% would result in a $14,670 (2014 - $13,330) increase in the interest earned on the investment.

(ii) The Company has loans and borrowings as at June 30, 2015 with various fixed interest rates. Therefore, a percentage change in interest rates will not have a significant impact on the Company.

18. RELATED PARTY TRANSACTIONS

Key personnel:

	June 30, 2015	June 30, 2014
Key personnel salary and benefits expensed during the year	**$ 914,538**	$ 1,436,427
	June 30, 2015	June 30, 2014
Key personnel amounts outstanding in accounts payable and accrued liabilities at year end.	**1,054,486**	939,906

Related vendors and consultants:

A director and an ex-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, 2015 were $211,694 (2014 - $449,362). The amounts owing to these firms as at June 30, 2015 was $167,362 (June 30, 2014 - $122,694). There is $nil (June 30, 2014 - $nil) fees owing to Directors and $1,054,486 (June 30, 2014 - $939,906) in fees owing to officers and ex-directors included in accounts payable and accrued liabilities. A related party also invoiced the Company for office rental in the amount of $129,570 (2014 - $105,650).

During the year ended June 30, 2014, the Company entered into an agreement of purchase and sale, with 2207457 Ontario Inc., providing for the purchase of mining equipment in the amount of $312,345 and vehicles in the amount of $75,000. The seller is controlled by Greg Gibson, CEO of the Company.

During the year ended June 30, 2014, Greg Gibson, CEO, provided a loan to the Company in the amount $600,000 and presented as a promissory note payable on the consolidated statement of financial position. The loan was non-interest bearing without fixed terms of repayment. As of June 30, 2015, the amount was converted into common stock in the financing completed on October 1, 2014 (see note 14(j))

19. COMMITMENTS AND CONTINGENCIES

a) Jubilee Gold Inc., the royalty holder, is entitled to the greater of:
   - (i) a Net Smelter Return royalty of a percentage of the price per troy ounce as follows:
     - 2% when less than US$500
     - 3% when greater than US$500 and less than US$800
     - 4% when greater than US$800;
   - (ii) $1.00 per short ton of ore derived from the properties;
   - (iii) an advance royalty payment of $21,573 adjusted for cost of living factors payable quarterly;

The carrying amount has been determined using the following facts and assumptions:

a) the timing of payments is dependent on the commencement of commercial production, whereby any outstanding amounts must be paid in 18 equal monthly installments. The McGarry property is currently under care and maintenance, the timing for commercial production has not yet been defined as at June 30, 2015.

b) any advance payments that are more than 4 years in arrears would still have to be paid but would not be deducted from the net smelter return.

Balance at June 30, 2013	$	640,918
Advance royalty payable		105,103
Balance at June 30, 2014		746,021
Advance royalty payable		103,291
Ending balance, June 30, 2015	$	849,312

19. COMMITMENTS AND CONTINGENCIES, (continued)

b) The Company had a letter of credit outstanding as at June 30, 2015 in the amount of $435,160 (June 30, 2014 - $435,160) which is supported by the restricted investments (Note 5).

c) The Company has placed a surety bond of an insurance company in connection with the Copperstone project, as required by the US Bureau of Land Management. Cash collateral of $1,019,184 (US$816,000) is held with the Bank of New York in the name of the Company in a short term cashable account. A reclamation bond of $25,201 is held by the US Bureau of Land Management as at June 30, 2015.

d) The activities of the Company are subject to environmental laws and regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, endangered species and reclamation of lands disturbed by mining operations. The Company believes it complies with all laws and regulations which currently apply to its activities. However, there may be environmental liabilities on claims held by the Company (certain tailings from the former Omega mine that are on the Company's claims), resulting from past mining operations, and these could potentially be material.

e) Statements of claims have been issued against the Company for breach of contract in the total amount of $3,363,327 and accrued interest of $874,982 with respect to certain work undertaken on behalf of the Company. The Company has filed statements of defence disputing these actions. An amount of $4,238,309, consisting of invoiced amounts of $3,363,327 and accrued interest and costs $874,982 has been recorded in the financial statements at June 30, 2015 relating to these claim.

20. SEGMENTED INFORMATION

As at June 30, 2015, the Company's operations comprise two operating segments engaged in mineral exploration and development in Virginiatown, Ontario ("Canada") and La Paz County, Arizona ("USA") which also represent geographical location.

	As at June 30, 2015	As at June 30, 2014
Total assets	**$**	$
Canada	**3,259,399**	4,035,449
United States	**17,756,427**	30,383,623
	21,015,826	34,419,072

	As at June 30, 2015	As at June 30, 2014
Non-current assets	**$**	$
Canada	**2,533,402**	3,617,357
United States	**17,368,054**	30,054,709
	19,901,456	33,672,066

20. SEGMENTED INFORMATION, (continued

	Year ended June 30, 2015	Year ended June 30, 2014
Net loss	**$**	$
Canada	**11,105,333**	16,389,874
United States	**14,180,135**	-
	25,285,468	16,389,874

21. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents comprise cash on deposit with Canadian and U.S. chartered banks, lines of credit and treasury bills. Restricted investments are not included in cash and cash equivalents and are included as an investing activity on the consolidated statements of cash flows.

The following are non-cash transaction excluded from the consolidated statements of cash flow:

Year ended June 30, 2015:

A provision for bad debt was recorded in the amount of $1,600,000 in relation to a loan provided to San Gold Corporation (Note 22).

Debt in the amount of $551,991 was extinguished by the issue of 1,260,710 common shares valued at $0.08 per share (Note 14(k)).

Debt in the amount of $353,900 was extinguished by the issue of 4,912,862 common shares valued at $0.10 per share (Note 14(l)).

Year ended June 30, 2014:

Debt in the amount of $4,000,000 was extinguished by the issue of 5,333,333 common shares valued at $0.75 per share (Note 14(a)).

Debt in the amount of $60,000 was extinguished by the issue of 80,000 common shares valued at $0.75 per share (Note 14(e)).

Debt in the amount of $2,144,517 was extinguished by the issue of 2,859,356 common shares valued at $0.675 per share (Note 14(g)).

350,000 common shares valued at $210,000per share were issued for property option payments (Note 14(f)).

22. TERMINATION OF MERGER

During the second quarter of fiscal 2015 the Company and San Gold Corporation (“San Gold”) agreed to mutually terminate the previously announced arrangement agreement which contemplated the combination of the business and assets of Kerr with those of San Gold. As a result, $1,705,537 of related costs have been expensed in the year ended June 30, 2015. These amounts include a bad debt provision for $1,600,000 for a loan provided on October 3, 2015 by Kerr to San Gold because San Gold became bankrupt on June 22, 2015.

23. LOANS AND BORROWINGS

	June 30, 2015	June 30, 2014
The Kirkland & District Community Development Corporation ("KDCDC") advanced $150,000 in July 2012 and an additional $350,000 in August 2012 for a term of 36 months. Interest only payments began on May 15, 2013 for eleven (11) months after which there will be eighteen (18) monthly payments of principal and interest in the amount of $29,348, commencing April 15, 2014. Interest is calculated at 7.0% per annum. The loan is secured by a general security agreement. As per an Intercreditor Agreement dated July 26, 2013, this loan's security ranks second to the loan payable in Note 11.	$ 87,023	$ 420,312
The Northern Ontario Heritage Fund Corporation ("NOHFC") advanced $219,806 on June 13, 2012 and an additional $49,498 on April 24, 2013. Interest at 2.75% is payable on the loan portion until the first day of the month following the earlier of the month in which the commitment termination date (extended to September 30, 2015 occurs and the month in which the loan is fully drawn down. There is still an amount of $273,196 to be advanced under this agreement. One half of the amount (up to $271,250) shall be conditional assistance and the other half will be a non-revolving term loan. The loan shall be repaid in blended monthly payments of $4,844 for 60 months commencing October 1, 2015. It is secured by a general security agreement. The conditional assistance portion is repayable in the event of a default by the Company. As per an Intercreditor Agreement dated July 26, 2013, this loan's security ranks third behind the loan payable in Note 11 and the KDCDC loan as described above.	269,304	269,304
The Company entered into a finance lease on March 21, 2013 to purchase a piece of equipment. The lease bears interest at 13.3% per annum and is for a four year term. Monthly blended payments of principal and interest are $883, maturing in 2017. The Company has a bargain purchase option on the equipment. The finance lease is secured by the underlying asset.	19,187	26,680
The Company entered into a loan and security agreement on March 22, 2013 to fund the purchase of four pieces of heavy equipment. The loan bears interest at 16.9% per annum and is for a four-year term. Monthly blended payments of principal and interest are $11,364, maturing in 2017. The loan is secured by specific equipment. The loan is secured by the underlying asset.	253,965	305,318
The Company entered into a finance lease on March 1, 2012 to purchase a piece of heavy equipment. The lease bears interest at 6.2% per annum and is for a three-year term. Monthly blended payments of principal and interest are $6,262, maturing in 2015. The finance lease is secured by the underlying asset.	-	49,811
The Company entered into a non-interest bearing third party loan. There are no fixed terms of repayment and it is payable upon demand.	200,000	200,000
The Company entered into a non-interest bearing third party loan for principal amount of $600,000 plus a restructuring fee of $90,000 and a financing fee of $60,000 for a total amount due on maturity of $750,000. The loan is repayable on July 14, 2015 and is repayable in cash or common shares at the option of the holder.	750,000	-
The Company entered into interest bearing third party loans for principal amount of $500,000. The loans carry an interest rate of 10% and are repayable on demand.	503,945	-
	2,083,424	1,271,425
Payable in the next 12 months	1,646,609	682,222
	$ 436,815	$ 589,203

23. LOANS AND BORROWINGS, (continued)

Payment terms per fiscal year are approximately as follows:

2016		**1,754,804**
2017		**196,835**
2018		**59,010**
2019		**58,127**
2020		**58,127**
2021		**12,299**
Total payments		**2,139,202**
Amount representing interest		**(107,346)**
	$	**2,031,856**

24. CAPITAL MANAGEMENT

The Company has loans payable, accounts payable and accrued liabilities and equity, and consequently defines capital as all of the components of debt and equity which as at June 30, 2015 amount to $17,326,470 (June 30, 2014 - $31,200,444). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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

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

(a) to safeguard the Company's ability to continue as a going concern,

(b) to provide sufficient capital through flow-through share issues for exploration and development purposes on the McGarry and Kerr projects. All flow-through share proceeds must be spent on qualifying expenditures and by a specific point in time,

(c) to raise sufficient non-flow through proceeds from share issues to meet general and administrative expenditures,

(d) to provide an adequate return to shareholders by advancing the Company's projects to production while ensuring it meets the listing requirements of the Toronto Stock Exchange, and

(e) to maintain the royalty prepayments within the limits allowed by the agreement.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended June 30, 2015.

25. CORPORATE ACQUISITIONS

Bear Lake Gold Ltd:

During the year ended June 30, 2014, Kerr acquired 100% of the issued and outstanding shares of Bear Lake Gold Ltd. ("Bear Lake"). Pursuant to the acquisition, the Company issued 1.4 units for each of the outstanding common shares in the capital of Bear Lake resulting in the issuance of 12,728,944 units of Kerr. Each unit consists of one common share of Kerr and one-half of one common share purchase warrant of Kerr. Each whole warrant entitles the holder thereof to purchase one share at an exercise price of $2.40 per share for a period of one (1) year from the closing of the acquisition. The operations and changes in cash flow of Bear Lake have been included from the date control was acquired (i.e. May 22, 2014). As Bear Lake did not meet the definition of a business per IFRS 3, the Acquisition has been accounted for as an asset acquisition, whereby Kerr is considered to issue additional shares in return for the net assets of Bear Lake at their fair value as follows:

Fair value of Bear Lake's net assets acquired

Cash	$	61,347
Marketable securities		3,738
Accounts receivable		65,675
Prepaid expenses		10,595
Reclamation deposit		53,060
Property, plant and equipment		52,461
Accounts payable and accrued liabilities		(402,956)
Asset retirement obligation		(343,000)
Net liabilities acquired	$	(499,080)

Consideration paid:		
Shares issued on acquisition (Note 14)	$	5,728,024
Warrants considered issued on acquisition (Note 16)		258,000
Options considered issued on acquisition (Note 15)		25,000
Cash advanced pre-acquisition		300,000
Total	$	6,311,024
Allocated to:		
Net liabilities	$	(499,080)
Exploration and evaluation expenditures	$	6,810,104

American Bonanza Gold Corp:

During the year ended June 30, 2014, Kerr acquired 100% of the issued and outstanding shares of American Bonanza Gold Corp. ("American Bonanza"). Pursuant to the acquisition, the Company issued 0.53 shares for each of the outstanding common shares in the capital of American Bonanza resulting in the issuance of 39,615,251 shares of Kerr. The operations and changes in cash flow of American Bonanza have been included from the date control was acquired (i.e. June 27, 2014).

25. CORPORATE ACQUISITIONS *(continued)*

The purchase price allocation recognized in the June 30, 2014 financial statements was based on a preliminary assessment of fair value pending further evaluation. This evaluation had not been completed by the date that the June 30, 2014 financial statements were approved for issuance by the Company. The valuation has been finalized resulting in an adjustment to the preliminary purchase price allocation. As a result, the Company has restated the comparative financial information in the Consolidated Statements of Financial Position as at June 30, 2014 to reflect this adjustment as a decrease of $7,303,975 in mineral property and an increase of $7,303,975 in goodwill on acquisition.

Fair value of American Bonanza's net assets acquired

Cash	$	13,846
Restricted cash		869,938
Marketable securities		4,857
Accounts receivable		10,969
Inventory		157,891
Prepaid expenses		188,297
Reclamation deposit		21,511
Property, plant and equipment		12,156,983
Mineral property		9,701,569
Goodwill		7,303,975
Accounts payable and accrued liabilities		(6,696,437)
Asset retirement obligation		(1,721,427)
Loans payable		(2,240,700)
Net assets acquired	$	19,771,272
Consideration paid:		
Shares issued on acquisition (Note 14)	$	17,826,863
Cash		1,944,409
Total	$	19,771,272

26. FINANCE CHARGES

Finance charges comprises of the following:

		June 30, 2015		June 30, 2014
Interest on long-term debt	$	147,494	$	166,624
Interest on loans		546,267		779,463
Loan refinancing charges		150,000		267,770
Interest, bank charges and other		356,567		156,454
Interest on convertible debt		259,250		-
Accretion on provisions		69,585		13,365
	$	1,529,163	$	1,383,676

27. TAXES

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rates for the year ended June 30, 2015 and 2014 is as follows:

	2015	2014
	$	$
Loss before income taxes	**(25,285,468)**	(16,389,874)
Combined Statutory rate	**25.00%**	25.00%
Estimated recovery of income taxes	**(6,321,000)**	(4,097,000)
Non-deductible expenditures	**410,000**	2,119,000
Share issue costs	**(158,000)**	(145,000)
Tax credits	**-**	(391,000)
Impairment of Goodwill	**1,826,000**	
Differences in tax rates in foreign jurisdictions	**289,000**	
Deferred tax asset not recognized	**3,954,000**	2,514,000
Deferred income tax expense (recovery)	**-**	-

The Canadian statutory income tax rate of 25% (2014 – 25%) is comprised of the federal income tax rate at approximately 15% (2014 – 15%) and the provincial income tax rate of approximately 10% (2014 – 10%).

The primary differences which give rise to the deferred income tax assets (liability) as at June 30, 2015 and 2014 are as follows:

	2015	2014
	$	$
Deferred income tax assets (liability)		
		-
Non-capital loss carryforwards	**20,406,000**	17,904,000
Pre-production investment tax credit	**2,625,000**	2,413,000
Other timing differences	**(4,138,000)**	(2,682,000)
Resource expenditures	**38,256,000**	38,992,000
Net capital losses	**(281,000)**	170,000
	56,868,000	56,797,000
Deferred tax assets not recognized	**(56,868,000)**	(56,797,000)
Deferred income tax assets (liabilities)	**-**	-

As at June 30, 2015, the unamortized balance, for income tax purposes, of the share issuance fees amounts to approximately $1,044,000 (2014 - $1,206,000) and will be deductible over the next four years.

As at June 30, 2015, the Company has $129,654,000 (2014 - $128,800,000) of unused CEE, CDE and FED expenses available to offset future taxable income. The tax benefits pertaining to these expenses are available to carry forward indefinitely. In addition, the Company has resource pools of $66,300,000 in the United States as at June 30, 2015, which can be utilized to be deducted against future resource profits.

As at June 30, 2015, the Company has $2,413,000 (2014 - $2,413,000) of certain Investment Tax Credits that can be used to offset future taxes payable.

27. TAXES, (continued)

The Company also has Canadian loss carry-forwards of approximately $54,424,000 (2014 - $46,367,000) and US tax loss carry forwards of approximately $17,010,000 (2014 - $15,000,000) as at June 30, 2015. The non-capital losses can be used to offset future taxable income and expire between 2016 and 2035.

The benefits of these losses, tax credits and resource expenditures, in excess of any taxable temporary differences, have not been recorded in these consolidated financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

28. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current years' presentation. These reclassifications did not affect prior years' net losses.

Kerr Mines Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim condensed consolidated financial statements of Kerr Mines Inc., are the responsibility of the management and Board of Directors of the Company.

The unaudited interim condensed consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim condensed consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim condensed consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Greg Gibson" (signed)	*"Chris Hopkins"* (signed)
Greg Gibson, CEO	Chris Hopkins, CFO

NOTICE TO READER

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim condensed consolidated financial statements for the nine months ended March 31, 2016 and 2015 have not been reviewed by the Company's auditors.

KERR MINES INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2016 AND JUNE 30, 2015

(UNAUDITED)

	March 31, 2016	June 30, 2015
ASSETS		
Current		
Cash and cash equivalents (Note 4)	**52,161**	476,136
Accounts receivable and sundry assets (Note 6)	**138,672**	96,738
Marketable securities (Note 7)	**2,697**	2,767
Inventories	**192,177**	184,822
Prepaid expenses	**328,306**	353,907
Current assets	**714,012**	1,114,370
Non-current		
Restricted investments (Note 5)	**1,593,821**	1,545,309
Property, plant and equipment (Note 9)	**11,889,480**	11,085,682
Mineral property (Note 8 and 10)	**8,138,896**	7,270,465
Non-current assets	**21,622,196**	19,901,456
TOTAL ASSETS	**22,336,209**	21,015,826
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 10, 11 and 18)	**13,386,693**	10,551,039
Current portion of convertible promissory note (Note 11)	**2,382,822**	2,675,150
Derivative in convertible promissory note (Note 11)	**35,000**	40,000
Loan payable (Note 10)	**4,609,763**	4,609,763
Current portion of loans and borrowings (Note 21)	**2,208,933**	1,646,609
Current liabilities	**22,623,211**	19,522,561
Non-current		
Net Smelter return payable (Note 18)	**927,581**	849,312
Provisions (Note 12)	**2,978,382**	2,840,044
Loans and borrowings (Note 21)	**735,811**	436,815
Non-current liabilities	**4,641,774**	4,126,171
EQUITY		
Capital stock (Note 13)	**123,081,747**	123,081,747
Contributed surplus	**6,865,101**	6,865,101
Warrant reserve (Note 15)	**3,667,000**	3,667,000
Currency translation reserve	**3,139,007**	1,021,740
Deficit	**(141,681,631)**	(137,268,494)
Total deficiency	**(4,928,777)**	(2,632,906)
TOTAL LIABILITIES AND DEFICIENCY	**22,336,209**	21,015,826

Nature of Operations and Going Concern (Note 1)
Commitments and contingencies (Notes 8 and 18)

ON BEHALF OF THE BOARD:

"Greg Gibson"
DIRECTOR

"Greg Smith"
DIRECTOR

KERR MINES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

THREE AND NINE MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(UNAUDITED)

	Three Months ended March 31,		Nine Months ended March 31,	
	2016	2015	**2016**	2015
OPERATING EXPENSES				
Professional fees	**$ 36,750**	$ 121,186	**$ 193,719**	$ 395,812
Consulting fees	**70,000**	67,449	**99,996**	225,122
Depreciation (Note 9)	**49,281**	12,265	**150,448**	36,796
Salaries and wages	**-**	191,923	**-**	451,217
General and administrative	**118,982**	297,089	**443,853**	362,709
Promotion and travel	**-**	17,694	**3,055**	90,880
Shareholder relations	**16,299**	37,567	**45,137**	313,117
Accretion expense (Note 12)	**108,706**	18,489	**132,668**	52,087
Exploration, evaluation and care and maintenance expenditures (Note 8)	**32,269**	492,715	**941,926**	2,119,082
	(432,286)	(1,256,377)	**(2,010,802)**	(4,046,822)
Impairment charge (Note 8)			**-**	-
Realized loss on marketable securities (Note 7)	**-**	-	**-**	(1,997,860)
(Loss) gain on disposal of other assets	**67,916**	(1,261,296)	**251,819**	(1,261,296)
Unrealized gain on marketable securities (Note 7)	**-**	(687)	**-**	1,603
Finance charges (Note 24)	**(1,809,665)**	(67,576)	**(2,293,662)**	(707,736)
Gain on settlement of debt	**-**	(91,901)	**76,850**	359,233
Gain on revaluation of derivative liability (Note 11)	**8,357**	(254,835)	**5,000**	(86,380)
Costs related to termination of merger	**-**	-	**-**	(1,705,537)
Interest and other income	**-**	9,736	**-**	28,943
Loss on foreign exchange	**4,772**	(124,589)	**(442,343)**	(331,131)
NET LOSS	**(2,160,906)**	(3,047,525)	**(4,413,137)**	(9,746,983)
Other Comprehensive Income - items that may subsequently reclassify into income			**-**	-
Foreign exchange differences	**(1,718,529)**	-	**2,117,267**	-
COMPREHENSIVE LOSS	**(3,879,435)**	(3,047,525)	**(2,295,870)**	(9,746,983)
Weighted average number of common shares outstanding (Note 13)	**128,485,236**	118,454,854	**128,485,236**	107,092,233
Diluted weighted average shares outstanding (Note 13)	**128,485,236**	118,454,854	**128,485,236**	107,092,233
BASIC AND DILUTED LOSS PER COMMON SHARE	**$ (0.03)**	$ (0.03)	**$ (0.02)**	$ (0.09)

KERR MINES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(UNAUDITED)

		2016		2015
OPERATING ACTIVITIES				
NET LOSS FOR THE PERIOD	**$**	**(4,413,137)**	$	(9,746,983)
ADD (DEDUCT) ITEMS NOT REQUIRING CASH				
Depreciation (Note 9)		**150,448**		36,796
Accretion expense (Note 12)		**132,668**		52,087
Unrealized loss on marketable securities (Note 7)		**-**		(1,603)
Loss on disposal of assets (Note 9)		**-**		1,261,296
Realized loss on marketable securities (Note 7)		**-**		1,997,860
Gain on settlement of debt (Note 14)		**(35,000)**		(359,233)
Gain on revaluation of derivative liability (Note 12)		**-**		86,380
Foreign exchange		**(345,690)**		2,245
CHANGES IN NON-CASH WORKING CAPITAL ITEMS				
Accounts receivable and sundry assets		**(41,934)**		123,671
Prepaid expenses and other		**25,601**		(142,068)
Accounts payable and accrued liabilities		**2,835,654**		688,166
CASH FROM OPERATING ACTIVITIES		**(1,691,391)**		(6,001,386)
INVESTING ACTIVITIES				
Proceeds from sale of marketable securities (Note 7)		**-**		1,002,140
Proceeds from sale of property, plant and equipment		**264,900**		14,000
Proceeds from redemption of restricted investments		**-**		20,021
Purchase of property, plant and equipment		**-**		(3,829)
CASH FROM INVESTING ACTIVITIES		**264,900**		1,032,332
FINANCING ACTIVITIES				
Proceeds from issue of capital stock, net of issue costs		**-**		5,950,680
Loans advanced (repaid)		**1,002,516**		227,705
CASH FROM FINANCING ACTIVITIES		**1,002,516**		6,178,385
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**(423,975)**		1,209,331
CASH AND CASH EQUIVALENTS, beginning of period		**476,136**		93,591
CASH AND CASH EQUIVALENTS, end of period	**$**	**52,161**	$	1,302,922

Supplementary cash flow information (Note 20)

KERR MINES INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

NINE MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(UNAUDITED)

	Capital Stock	Contributed Surplus	Options	Warrants	Currency Translation	Deficit	TOTAL
Balance, June 30, 2015	**$ 123,081,747**	**$ 6,865,101**	**$ -**	**$ 3,667,000**	**$ 1,021,740**	**$ (137,268,494)**	**$ (2,632,906)**
Net loss for the period	-	-	-	-	-	(4,413,137)	**(4,413,137)**
Other comprehensive income	-	-	-	-	2,117,267	-	**2,117,267**
Comprehensive income							**(2,295,870)**
Balance, March 31, 2016	**$ 123,081,747**	**$ 6,865,101**	**$ -**	**$ 3,667,000**	**$ 3,139,007**	**$ (141,681,631)**	**$ (4,928,777)**
Balance, June 30, 2014	**$ 114,307,359**	**$ 4,613,399**	**$ 126,811**	**$ 4,731,891**	**$ -**	**$ (111,983,026)**	**$ 11,796,434**
Net loss for the period	-	-	-	-	-	(3,380,283)	**(3,380,283)**
Other comprehensive income	-	-	-	-	-	(6,366,700)	(6,366,700)
Comprehensive loss							(9,746,983)
Shares issued net of costs	9,550,680	-	-	-	-	-	**9,550,680**
Shares issued for debt settlement	616,708	-	-	-	-	-	**616,708**
Warrants issued	(1,002,000)	-	-	1,002,000	-	-	**-**
Broker warrants issued	(58,000)	-	-	58,000	-	-	**-**
Warrants forfeited/expired	-	2,020,524	-	(2,020,524)	-	-	**-**
Stock options forfeited/expired	-	74,184	(77,184)	-	-	-	**(3,000)**
Translatioon of foreign subsidiary	-	-	-	-	1,096,267	-	**1,096,267**
Balance, March 31, 2015	**$ 123,414,747**	**$ 6,708,107**	**$ 49,627**	**$ 3,771,367**	**$ 1,096,267**	**$ (121,730,009)**	**$ 13,310,106**

1. NATURE OF OPERATONS AND GOING CONCERN

Kerr Mines Inc. ("Kerr" or the "Company"), formerly Armistice Resources Corp., is incorporated under the laws of the Province of Ontario, and was formed by articles of amalgamation on December 1, 1998. On January 7, 2014, the Company filed Articles of Amendment changing the name of the Company from Armistice Resources Corp. to Kerr Mines Inc. The principal business activities are directed towards exploring and developing the Copperstone gold property in La Paz County, Arizona, United States; developing mining properties in Virginiatown, Ontario; and exploring for additional gold resources on both the McGarry and the adjacent Kerr-Addison gold mine. To date, the Company has not earned significant revenue as all properties are pre-production.

The Company is listed on the Toronto Stock Exchange, having the symbol KER. The Company's corporate office and principal place of business is located at 400-365 Bay Street, Toronto, Ontario, M5H 2V1, Canada.

As at March 31, 2016, the Company had an excess of current liabilities over current assets of $21,909,199 (June 30, 2015 – $18,408,191), had not yet achieved profitable operations, has accumulated losses of $141,681,631 (June 30, 2015 - $137,268,494) and expects to incur future losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. These unaudited interim condensed consolidated financial statements have been prepared on a going-concern basis and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The Company requires additional financing to continue to be able to operate, retain rights to its properties and carry out exploration and development of its properties. Because of continuing operating losses and its excess of current liabilities over current assets, the Company's continuance as a going concern for the foreseeable future is dependent upon its ability to obtain adequate financing. It is not possible to predict whether financing efforts will be successful. Refer to Note 16 for more details.

The Company is in the process of exploring its properties and has not yet determined whether these properties contain economically recoverable reserves. The continued operations of the Company and the amounts recoverable on these properties are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing to complete the necessary exploration and development of such property and upon attaining future profitable production or proceeds from disposition of the properties.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's ability to retain the rights to certain of its properties is dependent upon the Company continuing to make option payments and meet other commitments.

2. BASIS OF PRESENTATION

(a) Statement of Compliance with International Financial Reporting Standards

These unaudited interim condensed consolidated financial statements for the three month period ended March 31, 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting using accounting policies consistent with the International Financial Reporting Standards issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These unaudited interim condensed consolidated financial statements do not contain all the disclosures required for annual financial statements and thus should be read in conjunction with the Company’s annual audited consolidated financial statements for the year ended June 30, 2015. The Company follows all the accounting policies disclosed in the year-end financial statements.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 16, 2016.

(b) Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency, unless otherwise indicated.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

(c) New standards and interpretations adopted

The Company applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IAS 32 Financial Instruments Presentation, IAS 36 Recoverable Amounts Disclosure for Non-Financial Assets and IFRIC 21 Levies. The nature and effect of these changes are disclosed below.

Several other new standards and amendments apply for the first time in fiscal 2014. However, they do not impact the consolidated financial statements of the Company.

2. BASIS OF PRESENTATION, *(continued)*

The nature and impact of each new standard/amendment is described below:

IAS 32 *Financial instruments, Presentation*.
In December 2011, effective for annual periods beginning on or after January 1, 2014, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The adoption of this new standard did not result in any changes to the consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets.
The IASB has published Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). These narrow-scope amendments to IAS 36, Impairment of Assets, address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When developing IFRS 13, Fair Value Measurement, the IASB decided to amend IAS 36 to require disclosures about the recoverable amount of impaired assets. The amendments clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. The adoption of this new standard did not result in any changes to the consolidated financial statements.

IFRIC 21 *Levies*.
In May 2013, the IASB issued IFRIC 21 – Levies ("IFRIC 21"), an interpretation of IAS 37 – Provision, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligation event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The adoption of this new standard did not result in any changes to the consolidated financial statements.

(d) Standards issued but not yet effective

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. The Company is still assessing the impact of adopting IFRS 9. 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.

IFRS 15 *Revenue from Contracts with Customers*.
In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2017. Application of the standard is mandatory and early adoption is permitted. The Company has not yet determined the impact of the amendments on the Company's financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 financial year are discussed below:

(a) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

(b) Leases

In some cases, management is required to use judgment to determine whether leases are operating leases or finance leases where there is a transfer of risks and rewards incidental to ownership. Based on these judgments, management classifies the lease as a finance lease or an operating lease.

(c) Exploration and evaluation stage

In management's judgment the Company is still in the exploration and evaluation stage of mining.

The Company also 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.

(d) 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 expensed as incurred. 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 March 31, 2016 and June 30, 2015, the Copperstone mine had not met this target.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS, *(continued)*

(e) 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.

(f) 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 12 for more details.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(b) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model. This estimate also requires determining the most appropriate inputs to the Black-Scholes valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 14.

(c) 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.

4. CASH AND CASH EQUIVALENTS

The balance as at March 31, 2016 consists of cash on deposit with major Canadian banks in general interest-bearing accounts totaling $52,161 (June 30, 2015 - $476,136).

5. RESTRICTED INVESTMENTS

	Note	**March 31, 2016**	June 30, 2015
Restricted Investments			
GIC bearing interest of 1.30% (June 30, 2015 - 1.30%), matures on April 14, 2016 (June 30, 2016 – July 14, 2016)	(a)	$ 451,809	$ 447,864
Short-term cashable account	(b)	1,088,952	1,019,184
		$ 1,540,761	$ 1,467,048
Reclamation Bonds			
US Bureau of Land Management		-	25,201
Ministry of Northern Development and Mines	(c)	53,060	53,060
		$ 53,060	$ 78,261
Total		**$ 1,593,821**	**$ 1,545,309**

5. RESTRICTED INVESTMENTS *(continued)*

(a) Letters of credit are secured by the GIC investment as disclosed in Note 18 below.
(b) Pursuant to the term of the surety bond, the Company provided cash collateral of $1,088,952 ($816,000 USD) which is held with the Bank of New York in the name of the Company. The cash collateral is held in a short term cashable account.
(c) The Company has a cash deposit of $53,060 (including accumulated interest) with the Ministry of Northern Development and Mines of the province of Ontario ("MNDM") to cover a portion of the asset retirement obligations (AROs) related to the Cheminis property.

6. ACCOUNTS RECEIVABLE AND SUNDRY ASSETS

		March 31, 2016		**June 30, 2015**
HST receivable	$	13,361	$	20,748
Hydro deposit		60,990		60,990
Other receivables		64,321		15,000
Total accounts receivable and sundry assets	$	138,672	$	96,738

As at March 31, 2016, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 16. The Company holds no collateral for any receivable amounts outstanding as at March 31, 2016.

7. MARKETABLE SECURITIES

Marketable securities are comprised of shares of publicly traded companies as per the table below:

		March 31, 2016		June 30, 2015
Marketable securities	$	2,697	$	2,767
	$	2,697	$	2,767

As of March 31, 2016, these investments were measured at their fair value of $2,697 (June 30, 2015 - $2,767). The impact to the unaudited interim condensed consolidated financial statements of the revaluation to market value for the nine month period ended March 31, 2016 resulted in an unrealized loss of $70 (June 30, 2015 – $5,918).

8. MINERAL PROPERTIES

Copperstone

The Company is engaged in exploring and developing the Copperstone gold property ("Copperstone Project") in La Paz County, Arizona, United States. The Copperstone mine was in the commissioning stage up to October 11, 2013 when the mine was placed on care and maintenance.

8. MINERAL PROPERTIES, *(continued)*

The Company holds a 100% leasehold interest in the Copperstone Project. 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 $551 USD per ounce. The Company pays a minimum advance royalty per year of $30,000 USD to The Patch Living Trust.

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

Southwest Target of Copperstone Mine

The Corporation through its subsidiaries owns 100% interest in certain mining claims and property comprising the Southwest target at the Copperstone Mine. The claims consist of 50 claims that are outside of the Copperstone mining area and represent longer term exploration potential. The Company is party to an earn-in agreement with Suparna Gold Corp. (TSX-V: SUG) ("Suparna") whereby Suparna may acquire up to 60% in these claims. Suparna has not met its expenditure requirements under the terms of the earn-in agreement.

McGarry Property

The McGarry Property is located in the southwestern part of McGarry Township within the Larder Lake Mining Division of Ontario, Canada. The McGarry Property consists of 34 contiguous, patented mining claims (31) and mining licenses of occupation (3) totaling 1,112.0 acres with surface rights on a majority of the claims totaling 975.56 acres. The mining rights and surface rights are all in good standing and are maintained by the payment of annual taxes since no work requirements exist.

The McGarry property is owned 75% by Kerr Mines Inc. and 25% by Jubilee Gold Inc. All proceeds of production from the Property are to the Company, subject to a royalty interest held by Jubilee Gold Inc. which provides for a Net Smelter royalty payable to Jubilee starting at 2% and increasing to 4% when the price of gold exceeds $800 USD per ounce or an advance royalty of $21,573 payable quarterly (subject to cost of living adjustments). The Company is in compliance with the Jubilee Agreement. Refer to Note 18.

The McGarry mineral property has been pledged as security for the loan payable (Note 10).

Bear Lake Property

The Bear Lake Property consists 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 Company's McGarry Property.

8. MINERAL PROPERTIES, *(continued)*

The mineral property additions and evaluation and exploration expenses for the Company on the above properties are broken down as follows:

Mineral properties (statement of financial position):	**March 31, 2016**	June 30, 2015
Copperstone Property – acquisition (Note 23)	**$ 9,701,569**	$ 9,701,569
Impairment	**(2,431,104)**	(2,431,104)
Foreign exchange	**868,431**	-
Total	**$ 8,138,896**	**$ 7,270,465**

Exploration, evaluation and care and maintenance expenditures (statement of operations and comprehensive loss):	**Nine months ended March 31, 2016**	**Nine months ended March 31, 2015**
Bear Lake Property	**$ 17,197**	$ 5,641
McGarry Property	**131,215**	670,794
Copperstone Property	**793,514**	1,442,647
Total	**$ 941,926**	$ 2,119,082

Impairment

The Company assesses at the end of each reporting period whether there is any indication, from external and internal sources of information, that an asset or cash generating unit ("CGU") and goodwill may be impaired. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of the mineral properties, property, plant and equipment and goodwill. Predominantly due to the significant decline in metal prices during the year, the Company has determined that indicators of impairment existed as of June 30, 2015, and as such, has performed a test for recoverability of the value of the assets which is also the date the Company performs the annual goodwill impairment test. The Company has two CGUs: U.S. and Canada. All of the Company's goodwill is allocated to the U.S. CGU. Further, the Company determined that only the U.S. CGU had indicators of impairment.

The recoverable amount of the Company's Copperstone Mine (i.e. the U.S. CGU) was determined based on the after-tax discounted cash flows expected to be derived from this property's fair-market value less estimated costs to sell. The after-tax discounted cash flows were determined based on life-of-mine cash flow projections which incorporate management's best estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size, grade and recovery of the ore bodies. As a result of impairment tests performed as at June 30, 2015, the Company recorded a full impairment of goodwill. The remaining impairment loss has been proportionately allocated to property, plant and equipment and mineral properties. The fair value models are considered to be Level 3 within the fair value hierarchy. Key assumptions used in the fair value models used as at June 30, 2015 include discount rate of 8% based on risk adjusted comparable discount rates for mining projects, estimated long-term gold price of US$1,225 based on observable market data including spot price and industry analyst consensus, and a mine life of up to 5 years.

As at March 31, 2016, management determined that no additional impairment occurred during the current quarter.

9. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Mine and Mill Equipment	Motor Vehicles	Computer Equipment	Mill	Total
COST						
Balance as at July 1, 2014	$ 2,215,754	$ 2,698,748	$ 2,318,775	$ 104,405	$ 9,240,737	$ 16,578,419
Additions	3,829	-	12,389	-	-	16,218
Disposals	-	-	(50,000)	-	(1,881,102)	(1,931,102)
Impairment					(3,368,013)	(3,368,013)
Foreign exchange	367,791	65,138	381,422	8,683	1,262,619	2,085,653
Balance as at June 30, 2015	$ 2,587,374	$ 2,763,886	$ 2,662,586	$ 113,088	$ 5,254,241	$ 13,381,175
Additions	$ -	$ -	$ -	$ -	$ -	$ -
Disposals	$ -	$ (125,400)	$ (7,965)	$ -	$ -	$ -
Impairment	$ -	$ -	$ -	$ -	$ -	$ -
Foreign exchange	$ 99,979	$ 18,840	$ 103,644	$ 2,321	$ 729,462	$ 954,246
Balance as at March 31, 2016	$ 2,687,353	$ 2,657,326	$ 2,758,265	$ 115,409	$ 5,983,703	$ 14,335,421
DEPRECIATION						
Balance as at July 1, 2014	$ 26,756	$ 1,234,470	$ 28,333	$ 29,954	$ -	$ 1,319,513
Additions	9,356	909,988	16,655	49,354	-	985,353
Disposals	-	-	(9,373)	-	-	(9,373)
Balance as at June 30, 2015	$ 36,112	$ 2,144,458	$ 35,615	$ 79,308	$ -	$ 2,295,493
Additions	$ 7,122	$ 132,966	$ 4,927	$ 5,433		150,448
Disposals	$ -	$ -	$ -	$ -	$ -	-
Balance as at March 31, 2016	$ 43,234	$ 2,277,424	$ 40,542	$ 84,741	$ -	$ 2,445,941
CARRYING AMOUNTS						
Balance as at July 1, 2014	$ 2,188,998	$ 1,464,278	$ 2,290,442	$ 74,451	$ 9,240,737	$ 15,258,906
Balance as at June 30, 2015	$ 2,551,262	$ 619,428	$ 2,626,971	$ 33,780	$ 5,254,241	$ 11,085,682
Balance as at March 31, 2016	**$ 2,644,119**	**$ 379,902**	**$ 2,717,723**	**$ 30,668**	**$ 5,983,703**	**$ 11,889,480**

10. LOAN PAYABLE

Braydon loan:

	March 31, 2016	June 30, 2015
Loan principal	$ 4,609,763	$ 4,609,763
Interest accrued (i)	1,106,343	691,465
Balance, end of the period	$ 5,716,106	$ 5,301,228

This loan was a promissory note with no fixed terms of repayment and an interest rate of 12%. The promissory note in the amount of $4,609,763 was amended in January 2014 to a maturity date of November 20, 2020. Under the terms of the amended agreement, interest payments are accrued and are payable on a quarterly basis. As of June 30, 2015, the lender extended the June 30, 2014, December 31, 2014, March 31, 2015 and June 30, 2015 interest payments to June 30, 2015. As of March 31, 2016, these interest payments have not yet been made and are due on demand which is considered a default and therefore the loan has been classified as current. The MGarry mineral property has been pledged as security for the loan payable (Note 8).

10. LOANS PAYABLE *(continued)*

(i) Accrued interest of $1,106,343 for the three month periods ended March 31, 2016, December 31, 2015, September 30, 2015, June 30, 2015, March 31, 2015, December 31, 2014, December 31, 2014 and June 30, 2014 has been included in accounts payable and accrued liabilities.

11. CONVERTIBLE PROMISSORY NOTE

The Company' entered into an agreement to issue a convertible promissory note in the amount of $2,100,000 USD ($2,352,000) to Northern Energy and Mining Inc. (the "Kerr Debenture"), under an amendment to a previously outstanding gold loan upon closing of the business acquisition as described in Note 23. The Kerr Debenture bears interest at the rate of 6% per annum, with six semi-annual payments of principal and interest of $410,914 USD ($460,224) commencing on June 20, 2015. Interest will be accrued and added to the principal for the first twelve (12) months. Kerr will have the option to pre-pay the Kerr Debenture in part or in whole at any time eighteen (18) months after the issuance date of June 27, 2014 on thirty (30) days' notice. The Kerr Debenture is secured by a general security interest in the property of Bonanza Explorations Inc. During the period ended March 31, 2016, the Company paid $350,000 USD of principal and $60,914 USD of interest for a total of $410,914 USD. As at March 31, 2016 the balance of the promissory note is $1,750,000 USD ($2,382,822). The principal amount of the Kerr Debenture is convertible into common shares of Kerr at the holder's option at a price of $0.90 per share. The conversion option is considered an embedded derivative as it is denominated in USD whereas the Company's functional currency is the Canadian dollar. The feature is classified as a current liability on the statement of financial position and is carried at fair value as determined by the Black-Scholes option pricing model, with changes in fair value recorded as gains or losses in the statement of comprehensive loss. As at, the derivative in convertible promissory note is valued at $35,000 (June 30, 2015 - $40,000). The assumptions in valuing the embedded derivative at March 31, 2016 include an expected volatility of 162%, a risk free interest rate of 0.54% and an expected life of 1.75 year.

On March 4th, 2016 the Kerr Debenture, inclusive of interest and fees, was purchased by an existing shareholder of Kerr Mines for aggregate proceeds of US$1,875,000.

12. PROVISIONS - RECLAMATION AND REMEDIATION

The Company's asset retirement obligation relates to the cost of removing and restoring of the Kerr Mine in the Township of McGarry, the Copperstone Mine in La Paz County, Arizona and the Cheminis property in Ontario. Significant reclamation and closure activities include land rehabilitation, demolition of buildings and mine facilities, ongoing care and maintenance and other costs. This estimate depends on the development of environmentally acceptable mine closure plans.

A reconciliation for asset retirement obligations is as follows:

	McGarry	Copperstone	Cheminis	Total
Balance, June 30, 2014	$ 408,180	$ 1,721,427	$ 343,000	$ 2,472,607
Accretion expense for the year	14,788	42,619	12,178	69,585
Foreign exchange	-	297,852	-	297,852
Balance, June 30, 2015	$ 422,968	$ 2,061,898	$ 355,178	$ 2,840,044
Accretion expense for the period	11,116	85,170	9,416	105,701
Foreign exchange	-	32,637	-	32,637
Balance, March 31, 2016	**$ 434,084**	**$ 2,179,705**	**$ 364,594**	**$ 2,978,382**

12. PROVISIONS - RECLAMATION AND REMEDIATION *(continued)*

McGarry:

The mine closure provision liability is based upon the following estimates and assumptions:

a) Total undiscounted amount of future retirement costs was estimated to be $435,160 to which the Company has provided a letter of credit as disclosed in Note 18(b).
b) Risk-free rate at 3.504%.
c) Expected timing of cash outflows required to settle the obligation is for the full amount to be paid in 2021.
d) Inflation over the period from is estimated to be 2% per annum.

Copperstone:

The mine closure provision liability is based upon numerous estimates and assumptions, as follows:

a) Total undiscounted amount of future retirement costs was estimated to be $1,827,895 USD to which the Company has provided cash collateral as disclosed in Note 18(c).
b) Risk-free rate at 2.2%.
c) Expected timing of cash outflows required to settle the obligation is for the full amount to be paid in 2021.
d) Inflation over the period up to 2021 was estimated to be 2% per annum.

Cheminis:

The mine closure provision liability is based upon numerous estimates and assumptions, as follows:

a) Total undiscounted amount of future retirement costs was estimated to be $406,500 to which the Company has provided a reclamation bond as disclosed in Note 5(d).
b) Risk-free rate at 3.504%.
c) Expected timing of cash outflows required to settle the obligation is for the full amount to be paid in 2022.
d) Inflation over the period up to 2022 was estimated to be 2% per annum.

13. CAPITAL STOCK

The Company is authorized to issue an unlimited number of common shares.

The following is a summary of changes in common share capital:

	Number of Shares		Amount
Balance, June 30, 2014	88,238,330	$	114,307,359
Shares issued in financing (i)	6,666,667		2,667,000
Shares issued in financing (i)	333,333		150,000
Shares issued in financing (j)	14,573,334		4,372,000
Debt conversion to equity (k)	1,260,710		100,857
Debt conversion to equity (l)	4,912,862		515,851
Shares issued in financing (m)	12,500,000		2,500,000
Share issue costs	-		(471,320)
Stock proceeds allocated to warrants (j), (m)	-		(1,002,000)
Stock proceeds allocated to broker warrants (i)	-		(58,000)
Balance, March 31, 2016 and June 30, 2015	128,485,236	$	123,081,747

Diluted weighted average number of shares outstanding

	Nine months ended March 31, 2016	Nine months ended March 31, 2015
Basic weighted average shares outstanding	**128,485,236**	107,092,233
Diluted weighted average shares outstanding	**128,485,236**	107,092,233

The stock options and warrants outstanding were excluded from the calculation of diluted loss per share as the Company reported a net loss for the periods shown and therefore would be antidilutive.

(a) On November 19, 2013 the Company entered into a debt conversion agreement whereby $4,000,000 of debt was extinguished by the issuance of 5,333,333 common shares valued at $0.75 per share. There were also 2,000,000 warrants issued. Each warrant entitles the holder to acquire a common share at a price of $1.20 until they expire on December 30, 2016.

The fair value of the 2,000,000 share purchase warrants was estimated at $510,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.24%; volatility 78% and an expected life of 37 months.

(b) On December 30, 2013, the Company closed a non-brokered private placement. There were 5,200,000 units issued at a price of $0.75 per unit for gross proceeds of $3,900,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire a common share at a price of $1.20 until they expire on December 30, 2016. The fair value of the 5,200,000 common share purchase warrants was estimated at $1,037,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.20%; volatility 77% and an expected life of 36 months.

13. CAPITAL STOCK, *(continued)*

(c) On January 23, 2014, the Company closed a non-brokered private placement. The Company issued 2,333,333 units of the Company at a price of $0.75 per unit for gross proceeds of $1,750,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire a common share at a price of $1.20 per share for a period of three years from the date of issuance.

The fair value of the 2,333,333 share purchase warrants was estimated at $802,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.18%; volatility 78% and an expected life of 36 months.

(d) On March 25, 2014, the Company closed a non-brokered private placement. The Company issued 2,804,000 common shares of the Company at a price of $0.75 per share for gross proceeds of $2,103,000.

(e) On March 19, 2014, the Company entered into a conversion agreement whereby $60,000 of accounts payable were extinguished by the issuance of 80,000 common shares valued at $0.75 per share based on the stock market price on the date of settlement.

(f) On February 25, 2014, the Company issued 350,000 shares as payment in connection with a property option agreement. The fair value of the shares issued was $0.60 per share.

(g) On April 14, 2014, the Company entered into a conversion agreement whereby $2,144,517 of accounts payable were extinguished by the issuance of 2,859,356 common shares. The common shares were valued at $1,930,065 based on the stock market price on the date of settlement. As a result, the Company recorded a gain on settlement of debt of $214,453 for the year ended June 30, 2014.

(h) On April 30, 2014, the Company closed a non-brokered private placement. The Company issued 1,333,333 shares of the Company at a price of $0.75 per share for gross proceeds of $1,000,000.

(i) On July 31, 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.

The fair value of the 333,333 share purchase warrants was estimated at $58,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.10%; volatility 86% and an expected life of 24 months.

(j) On October 1, 2014, the Company closed a non-brokered private placement. The Company issued 14,573,334 units of the Company at a price of $0.30 per unit for gross proceeds of $4,372,000. Each unit was comprised of one common share and one half of one common share purchase warrant. Each warrant entitles the holder to acquire a common share at a price of $0.39 per share for a period of two years from the date of issuance.

The fair value of the 7,286,668 share purchase warrants was estimated at $627,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.13%; volatility 86% and an expected life of 24 months.

13. CAPITAL STOCK, *(continued)*

(k) On December 10, 2014, the Company entered into a conversion agreement whereby $551,991 of accounts payable were extinguished by the issuance of 1,260,710 common shares. The common shares were valued at $100,857 based on the stock market price on the date of settlement. As a result, the Company recorded a gain on settlement of debt of $451,134 for the year ended June 30, 2015.

(l) On January 27, 2015, the Company entered into conversion agreements whereby $353,900 of accounts payable were extinguished by the issuance of 4,912,862 common shares and cash payments of $10,000. The common shares were valued at $515,851 based on the stock market price on the date of settlement. As a result, the Company recorded a loss on settlement of debt of $171,951 for the year ended June 30, 2015.

(m) On March 4, 2015, the Company closed the first tranche of a non-brokered private placement. The Company issued 12,500,000 units of the Company at a price of $0.20 per unit for gross proceeds of $2,500,000. Each unit was comprised of one common share and one half of a common share purchase warrant. Each warrant entitles the holder to acquire a common share at a price of $0.30 per share for a period of two years from the date of issuance.

The fair value of the 6,250,000 share purchase warrants was estimated at $375,000 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 0.61%; volatility 116% and an expected life of 24 months.

14. OPTIONS

The purpose of the Company's stock option plan is to provide incentives to directors, officers, employees and consultants of the Company. The maximum number of common shares reserved for issuance upon exercise of the options is 10% of issued and outstanding shares. The Board of Directors may designate the recipients of options and determine the number of common shares covered by each option, its exercise price (which may not be less than closing market price of the common shares on the trading day prior to the grant) and its expiry date. The stock option will vest immediately on the date of the grant. The term of the options shall not exceed five years from the date of grant.

Option pricing models require the input of highly subjective assumptions noted above. Changes in the subjective input assumptions can materially affect the fair value estimate.

The changes in stock options issued during the period ended March 31, 2016 are as follows:

	March 31, 2016		June 30, 2015	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price
Outstanding at beginning of period/year	-	$ -	799,734	$ 4.46
Granted	-	-	-	-
Forfeited/Expired	-	-	(799,734)	$ 4.46
Outstanding at end of period/year	-	$ -	-	$ -
Exercisable at end of period/year	-	$ -	-	$ -

15. WARRANTS

The following table summarizes information about warrants outstanding as at March 31, 2016:

Exercise price	Expiry date	Warrants outstanding
$ 0.30	3/4/2017	6,250,000
$ 1.20	12/31/2016	2,000,000
$ 1.20	12/30/2016	5,200,000
$ 0.39	10/01/2016	7,286,668
$ 0.60	7/31/2016	333,333
$ 2.40	5/22/2016	6,364,470
		27,434,471

The changes in warrants outstanding for the periods ended December 31 and June 30, 2015 are as follows:

	Number of warrants	Weighted average exercise price
Warrants outstanding – June 30, 2014	**18,297,672**	**$ 2.19**
Issued (Notes 14(i), (j))	13,870,001	0.35
Expired	(2,399,868)	5.54
Warrants outstanding – June 30, 2015	**29,767,805**	**$ 1.06**
Expired	(2,333,334)	1.20
Warrants outstanding – March 31, 2016	27,434,471	**$ 1.05**

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and sundry assets, restricted investments, accounts payable and accrued liabilities, promissory note payable, loans and borrowings loans payable, convertible promissory note, net smelter return payable and provisions. As at December 31, 2015, the carrying values of the cash and cash equivalents, accounts receivable and sundry assets, restricted investments, accounts payable and accrued liabilities, promissory note payable and net smelter return payable approximate their fair values since they are expected to be settled in the short-term. Loans and borrowings, loans payable and the convertible promissory note are also carried at their fair value at December 31, 2015 as the rates on these loans approximate the current rates that Kerr could secure on the market. The derivative in the convertible promissory note is marked-to-market at each period end and so the carrying amount also represents the fair value.

Fair Value Measurements of Financial Assets and Liabilities Recognized in the Consolidated Statements of Financial Position

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

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS *(continued)*

	Level 1	Level 2	Level 3
As at March 31, 2016	**$**	**$**	**$**
Marketable securities	2,697	-	-
Restricted investments	1,593,821	-	-
Loans and borrowings	-	7,554,507	-
Convertible promissory note	-	2,382,822	-
Derivative in convertible promissory note	-	35,000	-
Net smelter return payable	-		927,581

	Level 1	Level 2	Level 3
As at June 30, 2015	**$**	**$**	**$**
Marketable securities	2,767	-	-
Restricted investments	1,545,309	-	-
Loans and borrowings	-	6,693,187	-
Convertible promissory note	-	2,675,150	-
Derivative in convertible promissory note	-	40,000	-
Net smelter return payable	-	-	849,312

Interest Rate and Credit Risk

The Company has cash and restricted investment balances. The Company currently invests in fixed rate Government of Canada Treasury Bills with maturity dates of approximately 90 days. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal risk.

An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information when necessary. As at March 31, 2016, there were no receivables past due.

There is some fixed-rate or financial liabilities by way of borrowing. Deposits held with banks may exceed the amount of insurance provided on such deposits.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2016, the Company had cash and cash equivalents of $52,161 (June 30, 2015 - $476,136) to settle current financial liabilities of $22,623,211 (June 30, 2015 - $19,522,561). The Company is currently seeking additional financing. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Kerr might change and shareholders may suffer additional dilution.

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS *(continued)*

The following table details the Company's contractual maturities for its financial liabilities as at December 31, 2015:

Payments due by year	Total	2016	2017	2018	Thereafter
Accounts payable and accrued liabilities	$ 13,386,693	$ 13,386,693	$ -	$ -	$ -
Net smelter return payable	927,581	-	-	-	927,581
Finance leases	14,512	8,840	5,672	-	-
Convertible promissory note payable	2,382,822	2,382,822	-	-	-
Loans payable	4,609,763	4,609,763	-	-	-
Other loans	2,795,580	2,200,093	595,487	-	-
NOHFC	134,652	-	-	-	134,652
	$ 24,251,603	$ 22,588,211	$ 601,159	$ -	$ 1,062,233

Currency Risk

The Company incurs expenditures in Canadian and US dollars for its operations. As the Company currently generates cash in both Canadian and US dollars and due the current low levels of expenditures, the Company does not currently face significant currency risk.

Sensitivity Analysis

The carrying amount of financial instruments approximates their fair market value. The movement on cash and cash equivalents interest rates by a plus or minus 1% change would have no material impact on the value of those items.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

(i) The Company has restricted cash as at March 31, 2016 at fixed interest rates between 0.8% and 1.30% per annum. An increase in the interest rate of 1% would result in a $15,932 (2015 - $15,588) increase in the interest earned on the investment during the period.

(ii) The Company has loans and borrowings as at March 31, 2016 with various fixed interest rates. Therefore, a percentage change in interest rates will not have a significant impact on the Company.

17. RELATED PARTY TRANSACTIONS

Key personnel:

	March 31, 2016	March 31, 2015
Key personnel salary and benefits expensed during the period	**$ 288,560**	$ 721,997
Key personnel amounts outstanding in payables at period/year end	**742,907**	878,350

Related vendors and consultants:

A director is a partner in a legal firm that provided legal services to the Company. The amounts paid or accrued relating to services provided in the normal course of business at the exchange amount agreed to by the parties during the nine month period ended March 31, 2016 was $193,564 (2015 - $129,570). There is $742,907 (2015 - $878,350) in fees owing to officers and ex-directors included in accounts payable and accrued liabilities. A related party also invoiced the Company for consulting services in the amount of $24,996 (2015 - $37,494).

18. COMMITMENTS AND CONTINGENCIES

a) Jubilee Gold Inc., the royalty holder, is entitled to the greater of:
   (i) a Net Smelter Return royalty of a percentage of the price per troy ounce as follows:
      2% when less than $500 USD
      3% when greater than $500 USD and less than $800 USD
      4% when greater than $800 USD;
   (ii) $1.00 per short ton of ore derived from the properties;
   (iii) an advance royalty payment of $21,573 payable quarterly;
   (iv) the carrying amount has been determined using the following facts and assumptions:
      a) the timing of payments is dependent on the commencement of commercial production, whereby any outstanding amounts must be paid in 18 equal monthly installments. The McGarry property is currently under care and maintenance, the timing for commercial production has not yet been defined as at March 31, 2016.
      b) any advance payments that are more than 4 years in arrears would still have to be paid but would not be deducted from the net smelter return.

b) The Company had a letter of credit outstanding as at March 31, 2016 in the amount of $435,160 (June 30, 2014 - $435,160) which is supported by the restricted investments (Note 5).

c) The Company has placed a surety bond of an insurance company in connection with the Copperstone project, as required by the US Bureau of Land Management. Cash collateral of $1,088,952 ($816,000 USD) is held with the Bank of New York in the name of the Company in a short term cashable account.

e) The activities of the Company are subject to environmental laws and regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, endangered species and reclamation of lands disturbed by mining operations. The Company believes it complies with all laws and regulations which currently apply to its activities. However, there may be environmental liabilities on claims held by the Company (the former Cheminis mine as well as certain tailings from the former Omega mine that are on the Company's claims), resulting from past mining operations, and these could potentially be material.

f) Legal Contingency:
A statement of claim was issued against the Company for breach of contract in the amount of $3,470,461 and accrued interest of $909,415 with respect to certain work undertaken on behalf of the company. The Company has filed a statement of defence disputing the action. The claim is currently being disputed by the Company and the settlement is undeterminable at this time. An amount of $4,379,876, consisting of invoiced amounts of $3,470,461 and accrued interest and costs $909,415 has been recorded in the financial statements at March 31, 2016 relating to the claim.

19. SEGMENTED INFORMATION

As at March 31, 2016, the Company's operations comprise two operating segments engaged in mineral exploration and development in Virginiatown, Ontario ("Canada") and La Paz County, Arizona ("USA") which also represent geographical location.

	As at March 31, 2016	As at June 30, 2015
Total assets	**$**	$
Canada	**1,590,781**	3,259,399
United States	**20,745,428**	17,015,826
	22,336,209	21,015,826

	As at March 31, 2016	As at June 30, 2015
Non-current assets	**$**	$
Canada	**1,215,613**	2,533,402
United States	**20,406,583**	17,368,054
	21,622,196	19,901,456

	Nine months ended March 31, 2016	Nine months ended December 31, 2014
Net loss	**$**	$
Canada	**2,568,304**	2,853,637
United States	**1,844,833**	526,646
	4,413,137	3,380,283

20. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents comprise cash on deposit with Canadian chartered banks, lines of credit and treasury bills. Restricted investments are not included in cash and cash equivalents and are included as an investing activity on the consolidated statements of cash flows.

21. LOANS AND BORROWINGS

	March 31, 2016	June 30, 2015
The Kirkland & District Community Development Corporation ("KDCDC") advanced $150,000 in July 2012 and an additional $350,000 in August 2012 for a term of 36 months. Interest only payments began on May 15, 2013 for eleven (11) months after which there will be eighteen (18) monthly payments of principal and interest in the amount of $29,348, commencing April 15, 2014. Interest is calculated at 7.0% per annum. The loan is secured by a general security agreement. As per an Intercreditor Agreement dated July 26, 2013, this loan's security ranks second to the loan payable in Note 11.	$ -	$ 87,023
The Northern Ontario Heritage Fund Corporation ("NOHFC") advanced $219,806 on June 13, 2012 and an additional $49,498 on April 24, 2013. Interest at 2.75% is payable on the loan portion until the first day of the month following the earlier of the month in which the commitment termination date (extended to September 30, 2015 occurs and the month in which the loan is fully drawn down. There is still an amount of $273,196 to be advanced under this agreement. One half of the amount (up to $271,250) shall be conditional assistance and the other half will be a non-revolving term loan. The loan shall be repaid in blended monthly payments of $4,844 for 60 months commencing October 1, 2015. It is secured by a general security agreement. The conditional assistance portion is repayable in the event of a default by the Company. As per an Intercreditor Agreement dated July 26, 2013, this loan's security ranks third behind the loan payable in Note 11 and the KDCDC loan as described above.	134,652	269,304
The Company entered into a finance lease on March 21, 2013 to purchase a piece of equipment. The lease bears interest at 13.3% per annum and is for a four year term. Monthly blended payments of principal and interest are $883, maturing in 2017. The Company has a bargain purchase option on the equipment. The finance lease is secured by the underlying asset.	14,512	19,187
The Company entered into a loan and security agreement on March 22, 2013 to fund the purchase of four pieces of heavy equipment. The loan bears interest at 16.9% per annum and is for a four-year term. Monthly blended payments of principal and interest are $11,364, maturing in 2017. The loan is secured by specific equipment. The loan is secured by the underlying asset.	218,747	253,965
The Company entered into a non-interest bearing third party loan. There are no fixed terms of repayment and it is payable upon demand.	200,000	200,000
The Company entered into a third party loan for principal amount of $900,000 plus a restructuring fee of $300,000 and interest of $150,000 on the note it replaced for a total amount due of $1,350,000. The loan is repayable on demand and bears interest at 15%. Upon shareholder and regulatory approval the note is convertible to common shares at $0.02 per share at the option of the holder	1,409,322	750,000
The Company entered into a third party loan for principal amount of up to US$1,000,000. The loan is repayable on demand and bears interest at 15%. Upon shareholder and regulatory approval the note is convertible to common shares at $0.065 per share at the option of the holder. As at March 31, 2016, the Company had drawn US$325,000 against the loan.	425,894	
The Company entered into interest bearing third party loans for principal amount of $500,000. The loans carry an interest rate of 10% and are repayable on demand.	541,616	503,945
	2,944,744	2,083,424
Payable in the next 12 months	2,208,933	1,646,609
	$ 735,811	$ 436,815

21. LOANS AND BORROWINGS (continued)

Payment terms per fiscal year are approximately as follows:

2016	$	**2,746,573**
2017		**138,708**
2018		**59,010**
2019		**8,504**
Total payments		**2,952,795**
Amount representing interest		**(126,127)**
	$	**2,826,668**

22. CAPITAL MANAGEMENT

The Company has loans payable, accounts payable and accrued liabilities and shareholders' deficiency, and consequently defines capital as all of the components of debt and shareholders' deficiency which as at March 31, 2016 amount to $18,430,245 (June 30, 2015 - $17,326,470). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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

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

(a) to safeguard the Company's ability to continue as a going concern,

(b) to provide sufficient capital through flow-through share issues for exploration and development purposes on the McGarry and Kerr projects. All flow-through share proceeds must be spent on qualifying expenditures and by a specific point in time,

(c) to raise sufficient non-flow through proceeds from share issues to meet general and administrative expenditures,

(d) to provide an adequate return to shareholders by advancing the Company's projects to production while ensuring it meets the listing requirements of the Toronto Stock Exchange, and

(e) to maintain the royalty prepayments within the limits allowed by the agreement.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the nine month period ended March 31, 2016.

23. CORPORATE ACQUISITIONS

Bear Lake Gold Ltd:

During the year ended June 30, 2014, Kerr acquired 100% of the issued and outstanding shares of Bear Lake Gold Ltd. ("Bear Lake"). Pursuant to the acquisition, the Company issued 1.4 units for each of the outstanding common shares in the capital of Bear Lake resulting in the issuance of 12,728,944 units of Kerr. Each unit consists of one common share of Kerr and one-half of one common share purchase warrant of Kerr. Each whole warrant entitles the holder thereof to purchase one share at an exercise price of $2.40 per share for a period of one (1) year from the closing of the acquisition. The operations and changes in cash flow of Bear Lake have been included from the date control was acquired (i.e. May 22, 2014). As Bear Lake did not meet the definition of a business per IFRS 3, the Acquisition has been accounted for as an asset acquisition, whereby Kerr is considered to issue additional shares in return for the net assets of Bear Lake at their fair value as follows:

Fair value of Bear Lake's net assets acquired

Cash	$	61,347
Marketable securities		3,738
Accounts receivable		65,675
Prepaid expenses		10,595
Reclamation deposit		53,060
Property, plant and equipment		52,461
Accounts payable and accrued liabilities		(402,956)
Asset retirement obligation		(343,000)
Net liabilities acquired	$	(499,080)

Consideration paid:		
Shares issued on acquisition (Note 13)	$	5,728,024
Warrants considered issued on acquisition (Note 15)		258,000
Options considered issued on acquisition (Note 14)		25,000
Cash advanced pre-acquisition		300,000
Total	$	6,311,024
Allocated to:		
Net liabilities	$	(499,080)
Exploration and evaluation expenditures	$	6,810,104

American Bonanza Gold Corp:

During the year ended June 30, 2014, Kerr acquired 100% of the issued and outstanding shares of American Bonanza Gold Corp. ("American Bonanza"). Pursuant to the acquisition, the Company issued 0.53 shares for each of the outstanding common shares in the capital of American Bonanza resulting in the issuance of 39,615,251 shares of Kerr. The operations and changes in cash flow of American Bonanza have been included from the date control was acquired (i.e. June 27, 2014) to the date of these consolidated financial statements.

23. CORPORATE ACQUISITIONS *(continued)*

The purchase price allocation recognized in the June 30, 2014 financial statements was based on a preliminary assessment of fair value pending further evaluation. This evaluation had not been completed by the date that the June 30, 2014 financial statements were approved for issuance by the Company. The valuation has been finalized resulting in an adjustment to the preliminary purchase price allocation. As a result, the Company has restated the comparative financial information in the Consolidated Statements of Financial Position as at June 30, 2014 to reflect this adjustment as a decrease of $7,303,975 in mineral property and an increase of $7,303,975 in goodwill on acquisition.

Fair value of American Bonanza's net assets acquired

Cash	$	13,846
Restricted cash		869,938
Marketable securities		4,857
Accounts receivable		10,969
Inventory		157,891
Prepaid expenses		188,297
Reclamation deposit		21,511
Property, plant and equipment		12,156,983
Mineral property		9,701,569
Goodwill		7,303,975
Accounts payable and accrued liabilities		(6,696,437)
Asset retirement obligation		(1,721,427)
Loans payable		(2,240,700)
Net assets acquired	$	19,771,272
Consideration paid:		
Shares issued on acquisition (Note 13)	$	17,826,863
Cash		1,944,409
Total	$	19,771,272

24. FINANCE CHARGES

Finance charges comprises of the following:

		March 31, 2016		March 31, 2015
Interest on long-term debt	$	179,465	$	49,129
Interest on loans		544,197		414,879
Loan refinancing charges		357,544		150,000
Interest, bank charges and other		1,212,455		93,728
	$	2,293,662	$	707,736

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current years' presentation. These reclassifications did not affect prior years' net losses.

26. SUBSEQUENT EVENTS

On May 5th, 2016 the Company announced the closing of the March 17th, 2016 announced transaction with BonTerra Resources Inc. (TSXV: BTR) pursuant to which BonTerra can acquire from Kerr Mines a 100% interest in the Bear 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 in the capital 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' ofannual general and special meetings of BonTerra. Kerr Mines is now deemed an Insider of BonTerra, as per TSX Venture Exchange policies.

On May 9th, 2106, the Toronto Stock Exchange announced that further to TSX Bulletin 2016-0220 dated March 9, 2016, the TSX has decided to extend its review of the eligibility of the common shares (Symbol: KER) of the Company for continued listing for a period of 60 days. The Continued Listing Committee of Toronto Stock Exchange has decided to defer its delisting review meeting until July 6, 2016.