



**ANNUAL INFORMATION FORM**

**FOR**

**KERR MINES INC.**

For the financial year ended June 30, 2017

**Dated October 10, 2017**

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## INTERPRETATION

In this Annual Information Form (“AIF”), “we”, “us”, “our”, “Kerr”, the “Corporation”, and the “Company” are used to refer to Kerr Mines Inc. All currency references or to “\$” or “CAD ” are references to Canadian dollars, unless otherwise specified.

All information in this AIF is as at the end of the last financial year ended June 30, 2017, unless otherwise stated.

### CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this document may be considered to be “forward-looking statements”. We may make such statements as well in other filings with Canadian regulators, in news releases, reports to shareholders, and in other communications. Such statements are made as of the date when they are made. Management believes that any forward-looking statements are based upon reasonable assumptions, but can give no guarantees or assurances that actual results will be consistent with such statements.

Forward-looking statements may include, among others, comments with respect to mineral resource estimates, the Corporation’s objectives or targets, goals and strategies to achieve those objectives, targets and goals, as well as statements with respect to Kerr’s beliefs, plans, objectives, expectations, anticipations, estimates, and intentions. The words “may”, “could”, “should”, “would”, “suspect”, “outlook”, “believe”, “plan”, “anticipate”, “estimate”, “expect”, “intend”, “forecast”, “objective”, “target”, and words and expressions of similar import are intended to identify forward-looking statements.

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

- risks and uncertainties relating to the interpretation of drill results, the geology, grade, and continuity of mineral deposits and conclusions of economic evaluations;
- the possibility that future exploration, development or mining results will not be consistent with the Corporation’s expectations;
- risks relating to possible variations in resources, grade, planned mining dilution, and ore loss, or recovery rates and changes in project parameters as plans continue to be refined;
- mining and development risks, including risks related to accidents, equipment breakdowns, labour disputes (including work stoppages and strikes) or other unanticipated difficulties with or interruptions in exploration and development;
- the potential for delays in exploration or development activities or the completion of feasibility studies;
- risks related to the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses;
- risks related to commodity price and foreign exchange rate fluctuations;
- risks relating to current global financial conditions;
- the uncertainty of profitability based upon the cyclical nature of the industry in which the Corporation operates;
- risks related to failure to obtain adequate financing on a timely basis and on acceptable terms;
- risks related to delays in obtaining governmental approvals or in the completion of development or construction activities;
- risks related to environmental regulation and liability;
- inherent risks associated with underground mining operations;

- risks of disruptions at the third-party plants milling and refining the Corporation's ore and concentrate;
- risks relating to the acquisition and maintenance of the necessary licenses and permits;
- risks relating to the availability of and ability to retain skilled labour;
- risks related to title to properties, property interests, and title claims and rights;
- loss of key personnel, conflict of interest, and dependence on management;
- changes in mining legislation adversely affecting operations; and
- political and regulatory risks associated with mining and exploration.

Readers should not place undue reliance on any forward-looking statements contained herein. Kerr assumes no obligation to update any forward-looking statement whether written or oral or to update the reasons why actual results could differ from such statements unless required by law.

Some of these risks, uncertainties, and other factors are described herein under the heading "Risk Factors". When relying on our forward-looking statements to make decisions with respect to the Corporation, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

#### **METRIC CONVERSION TABLE**

The following table sets forth certain factors for converting metric measurements into imperial equivalents. To convert from metric to imperial units, divide the metric unit by its corresponding value in the middle column. To convert from imperial to metric units, multiply the imperial unit by its corresponding value in the middle column.

<b>METRIC</b>		<b>IMPERIAL UNITS</b>
<u>Description and Abbreviation</u>		<u>Description and Abbreviation</u>
<b>Length</b>		<b>Length</b>
Millimetres - mm	25.400	Inches - in
Metres - m	0.3048	Feet - ft
Metres - m	0.9144	Yards - yd
Kilometres - km	1.609	Miles - mile
<b>Area</b>		<b>Area</b>
Square centimetres - cm <sup>2</sup>	6.4516	Square inches - in <sup>2</sup>
Square metres - m <sup>2</sup>	0.0929	Square feet - ft <sup>2</sup>
Hectares - ha	0.40469	Acres - acre
Square kilometres - km <sup>2</sup>	2.5900	Square miles - sq miles
<b>Weight</b>		<b>Weight</b>
Tonne (1,000 kg) - t	0.907185	Short ton (2,000 lbs) - st
<b>Grade</b>		<b>Grade</b>
Grams/tonne	34.2857	Oz./t (troy ounces per short ton)

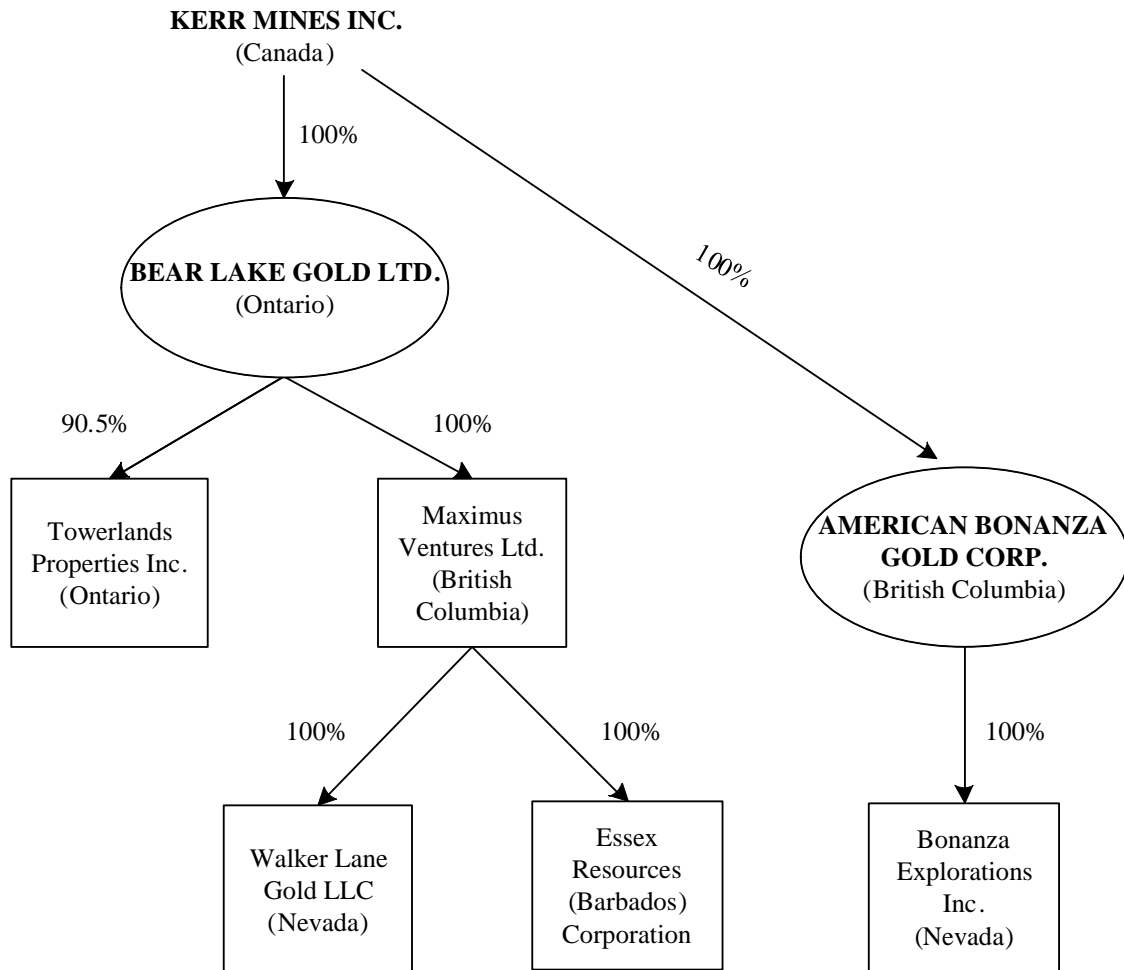
## CORPORATE STRUCTURE

### Name and Incorporation

The Corporation was incorporated on June 29, 1984, under the *Business Corporations Act* (Ontario). The Corporation continued under the *Canada Business Corporations Act* on November 9, 1987, and amalgamated with Armistice Mines Limited on December 1, 1998, as Armistice Resources Ltd. The amalgamated corporation continues to be governed by the *Canada Business Corporations Act*. On April 28, 2006, the Corporation consolidated its outstanding shares on a basis of four (4) old common shares (each a “**Common Share**”) for one (1) new Common Share and changed its name to Armistice Resources Corp. On January 7, 2014, the Corporation filed articles of amendment changing its name to Kerr Mines Inc. On July 24, 2014, the Corporation consolidated its outstanding Common Shares on a basis of fifteen (15) pre-consolidation Common Shares for one (1) post-consolidation Common Share. References herein to “Armistice” or the “Corporation” or “the Corporation” shall mean Armistice Resources Corp. and its predecessors Armistice Resources Ltd. and Armistice Resources Corp. as the context may require.

### Intercorporate Relationships

The following chart sets out the Corporation’s corporate structure including all principal subsidiaries and their respective jurisdictions of incorporation:



## Offices

The Corporation's registered and head office is located at 390 Bay Street, Suite 806 Toronto, Ontario M5H 2Y2.

## Reporting Period

This AIF relates to the annual financial year ended June 30, 2017 of the Corporation.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Overview

Kerr Mines is a Canadian-based exploration and development company engaged in the acquisition and exploration of properties that it believes have the potential to become commercial gold producers.

The Corporation owns the rights to several mineral projects located in North America. The Bear Lake and McGarry properties in Ontario and the Dufay property in Quebec. Its major project is the recently acquired Copperstone Property in Arizona, USA.

The Copperstone Property, which encompasses approximately 47.7 square km (18.4 square miles) of mineral rights, is located in La Paz County, County, Arizona, about 19 miles north of Quartzsite, Arizona. The project is situated within the Arizona portion of the Prolific Walker Lane Belt in the Southwestern United States. The project is the site of a past open pit mine conducted by Cyprus Mines Corporation. Recent work by American Bonanza Gold Corp. ("**American Bonanza**"), a wholly-owned subsidiary of the Corporation, has developed a small underground operation and concentrator. The Copperstone Property is currently on care and maintenance while a re-evaluation of the operations and resources are being conducted by the Corporation, with the intention of resuming exploration and development at the site.

### Three-Year History

The following is a summary of significant events during the years ended 2015, 2016 and 2017, as well subsequent to the 2017 year-end.

- On May 23, 2014, Kerr and Bear Lake Gold Ltd. ("**Bear Lake**") announced the acquisition of all of the issued and outstanding common shares of Bear Lake by Kerr pursuant to a plan of arrangement under the *Business Corporations Act* (Ontario). The Arrangement was approved by Kerr shareholders by written consent, by Bear Lake shareholders at their shareholder meeting held on May 6, 2014 and the Ontario Superior Court of Justice on May 14, 2014.
- On June 27, 2014, Kerr announced the acquisition all of the issued and outstanding common shares of American Bonanza Gold Corp. ("**American Bonanza**") by way of plan of arrangement under the *Business Corporations Act* (British Columbia). The arrangement was approved by Kerr shareholders by written consent, by American Bonanza shareholders at its annual general and special meeting of shareholder meeting held on June 20, 2014, and by the Supreme Court of British Columbia on June 25, 2014.
- On July 21, 2014, San Gold Corporation ("**San Gold**") and Kerr announced that they entered into a non-binding letter of intent pursuant to which San Gold and Kerr agreed to merge their respective businesses pursuant to a plan of arrangement.
- On July 25, 2014, the Corporation announced that it filed articles of amendment giving effect to the consolidation (the "**Consolidation**") of its issued and outstanding Common Shares on a one (1) for fifteen (15) basis. The Consolidation was approved by shareholders at the annual and special meeting held on December 19, 2013. Upon final confirmation by the Toronto Stock Exchange (the "**TSX**"), the post-Consolidation Common Shares and the post-Consolidation listed warrants of the Corporation (the "**Listed Warrants**") began trading on the TSX on July 30, 2014 and August 1, 2014, respectively.

The Consolidation reduced the number of outstanding Common Shares from 1,323,580,852 to 88,238,723.

Proportionate adjustments were made to the Corporation's outstanding warrants, including the Listed Warrants and stock options. No fractional Common Shares were issued pursuant to the Consolidation and any fractional Common Shares have been rounded down to the nearest whole number.

- On July 31, 2014, the Corporation closed an offering pursuant to the terms of a share purchase agreement dated July 28, 2014, between the Corporation, Pinetree Resource Partnership (the "**Partnership**") and Pinetree Capital Inc. ("**Pinetree**"), Kerr issued 6,666,667 Common Shares to the Partnership at a deemed price of \$0.45 per Common Shares in exchange for 6,666,667 common shares of Pinetree at a deemed price of \$0.45 per share. 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 Common Shares and issued broker warrants to acquire up to 333,333 Common Shares at a price of \$0.60 per Common Share until July 31, 2016. In December 2014, Kerr sold the common shares of Pinetree held by the Corporation.
- On August 19, 2014, the Corporation and San Gold announced that they had entered into a definitive agreement (the "**Arrangement Agreement**") pursuant to which the companies would merge their respective business pursuant to a plan of arrangement. Under the terms of the Arrangement Agreement, each shareholder of Kerr will be entitled to an exchange ratio of three (3) common shares of San Gold for every one (1) Common Share held by such shareholder of Kerr.
- On October 2, 2014, the Corporation completed a private placement of 14.5 million units at a price of \$0.30 per unit for gross proceeds of \$4.3 million. 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 price of \$0.39 per share until October 1, 2016.
- On November 6, 2014, the Corporation held a special meeting whereat the shareholders of the Corporation voted in favour of the special resolution approving the plan of arrangement between the Corporation and San Gold. A total of 99.98% of the shares votes at the special meeting were voted in favour of the arrangement.
- On November 12, 2014, the Corporation announced that it had entered into two agreements pursuant to which the Corporation had agreed to sell its interest in its Larder Lake Project and its Bear Lake Property for gross proceeds of approximately \$11 million, subject to completion of satisfactory due diligence and receipt of necessary consents, waivers, permits, exemptions, orders and approvals.
- On December 11, 2014, the Corporation announced that it entered into debt conversion agreements with various creditors, pursuant to which the Corporation settled an aggregate of \$551,991 of indebtedness through the issuance of an aggregate of 1,260,710 Common Shares at a price of between \$0.30 and \$0.707 per Common Share.
- On December 17, 2014, the Corporation and San Gold announced that they had mutually agreed to terminate the Arrangement Agreement pursuant to which the parties contemplated the combination of their business and assets by way of plan of arrangement.
- On December 24, 2014, the Corporation entered into an extension agreement with Kerr Jex Corporation pursuant to which the parties agreed to extend the final option payment due date from January 1, 2015 to February 10, 2015.
- On January 28, 2015, the Corporation announced that had entered into debt conversion agreements with various creditors, pursuant to which the Corporation has settled an aggregate of \$343,900 of indebtedness through the issuance of an aggregate of 4,912,862 Common Shares at a price of \$0.07 per Common Share.
- On February 9, 2015, the Corporation entered into a further extension agreement with Kerr Jex Corporation pursuant to which the parties agreed to extend the final option payment due date from February 10, 2015 to February 24, 2015.
- On February 12, 2015, the Corporation announced the completion the first tranche of the sale of its Northern Ontario properties. Pursuant to an amended acquisition agreement, the Corporation sold all of its right, title and

interest in and to two mining claims in McGarry Township in exchange for \$225,000 and a 1% net smelter return royalty on the claims. In addition, the Corporation agreed to the termination of the option agreement to acquire the Kerr-Addison Mine Property between the Corporation and Kerr Jex Corporation but retained a 1% net smelter return royalty on the claims.

- On March 4, 2015, the Corporation completed a private placement of 12,500,000 units at a price of \$0.20 per unit for gross proceeds of \$2.5million. Each unit was comprised of one Common Share and one-half of one Common Share purchase warrant. Each warrant is exercisable at a price of \$0.30 per Common Share until March 4, 2017. The Corporation paid finders' fees equal to 5% of the gross proceeds of the offering.
- On April 14, 2015, the Corporation announced that it would not be proceeding with the sale of its remaining Northern Ontario properties.
- On April 21, 2015, the Corporation announced the commencement of drilling in and around the Copperstone gold deposit. Initial drilling targeted the Parallel Zone located parallel to the main Copperstone Zone that was previously mined by open pit and underground methods.
- On August 25, 2015, the Corporation announced the resignation of Andres Tinajero as Chief Financial Officer of the Corporation.
- October 14, 2015, the Corporation announced results of a drilling campaign conducted at the Copperstone Property. The drilling campaign consisted of four of four diamond drill holes with a total core length of 3,040 feet and confirmed and extended mineralization in the Parallel Zone.
- On March 4, 2016, the Corporation announced the sale of the Corporation's existing secured promissory note payable to Nemi Northern Energy & Mining Inc. in the aggregate amount of \$2,138,329, inclusive of interests and fees, to an existing shareholder of Corporation for aggregate proceeds of \$1,875,000.
- On March 11, 2016, the Corporation announced that it has arranged debt financings with an existing shareholder and creditor of the Corporation (the "**Holder**"). Further, the Corporation confirmed that on December 17, 2015, the Holder loaned the Corporation an aggregate of CAD 1,350,000 under a convertible promissory note (the "**December Note**") and on March 9, 2016, the Holder loaned the Corporation up to CAD 1,000,000 under a convertible grid promissory note (the "**March Note**") pursuant to which the Corporation can draw upon for general working capital purposes. The December Note and the March Note each bear interest at an annual rate of 15% compounded monthly and are payable on demand. The Holder has the right to convert any part of the amount owing under the December Note into Common Shares at a conversion price of CAD 0.02 per Common Share and any part of the amount owing under the March Note into Common Shares at a conversion price of \$0.065 per Common Share. Each of the notes is secured by a general security agreement in the Copperstone Property. In addition, the Corporation announced the appointment of Chris Hopkins as Chief Financial Officer of the Corporation.
- On May 5, 2016, the Corporation announced that it had completed a transaction pursuant to which BonTerra Resources Inc. ("**BonTerra**") can acquire from Kerr Mines a 100% interest in the Corporation's Larder Lake Property held by the Corporation's wholly-owned subsidiary Bear Lake Gold Ltd. Pursuant to the terms of the acquisition agreement dated March 16, 2016, between BonTerra and the Corporation, as amended, BonTerra paid CAD 200,000 and issued an aggregate of 10,000,000 common shares in the capital of BonTerra to the Corporation. In addition, BonTerra is obligated to make the following payments: (a) CAD 300,000 on or before eight (8) months from the date of approval of the transaction by the TSX Venture Exchange (the "**Approval Date**") or immediately in the event BonTerra completes a financing for gross proceeds of not less than \$4,000,000 (a "**BonTerra Financing**"); (b) CAD 350,000 on or before twelve (12) months from the Approval Date or immediately in the event of a BonTerra Financing; and (c) CAD 300,000 on or before eighteen (18) months from the Approval Date or on or before twelve (12) months from the Approval Date in the event of a BonTerra Financing.
- On May 30, 2016, the Corporation announced that that the conversion price of the December Note had been changed to \$0.05 per Common Share and all other terms of the December Note remained unchanged. Further, the Corporation confirmed that the December Note and March Note were subject to all necessary approvals, including



the approval of the TSX and approval by majority of disinterested shareholders of the Corporation at the annual and special meeting of shareholders to be held on June 30, 2016.

- On June 20, 2016, the Corporation announced the resignation of Wayne Tisdale as a director of the Corporation effective June 16, 2016.
- On July 4, 2016, the Corporation announced that shareholders voted in favour of all resolutions presented in its management information circular at the annual and special meeting) held on June 30, 2016. Following the meeting, directors approved the appointment of Fahad Al Tamimi as Chairman, Christopher Hopkins, Interim President, Chief Executive Officer and Chief Financial Officer and Chris Irwin as Corporate Secretary of the Corporation.
- On July 11, 2016, the Corporation announced initial results of its debt restructuring efforts. The Corporation indicated that it had initiated negotiations with both secured and unsecured creditors and had reached settlement agreements with trade creditors and certain debt holders representing CAD 8.4 million of the CAD 22.6 million of current liabilities outstanding as at March 31, 2016.
- On August 25, 2016, the Corporation announced that it had reached total settlement agreements with trade creditors and certain debt holders representing CAD 9.2 million of CAD 12.2 million outstanding. The total amount of cash, common stock and future consideration paid in settling these debts is CAD 2.5 million which includes the issuance of 6,997,914 Common Shares.
- On September 22, 2016, the Corporation announced the closings of: (a) the issuance of 27,000,000 Common Shares to Trans Oceanic Minerals Company Ltd. (“**TOMCL**”), a company controlled by Fahad Al Tamimi, Kerr’s Chairman of the Board and a shareholder of Kerr, with respect to the conversion of the December Note; (b) the issuance of 10,000,000 Common Shares to TOMCL in settlement of an aggregate of \$1,576,318 of indebtedness owed by the Corporation; (c) the issuance of 18,500,000 Common Shares to Braydon Capital Corporation, a company controlled by Claudio Ciavarella, a director and shareholder of Kerr, with respect to the possible conversion of a promissory note in the amount of \$1,500,000; and (d) the issuance of 1,000,000 Common Shares to Todd Morgan in settlement of an aggregate of \$513,515 of indebtedness owed by the Corporation.
- On December 13, 2016 the Corporation announced it agreed to sell 8,000,000 common shares in the capital of Bonterra (TSX-V: BTR) at a price of \$0.25 per Bonterra Share for gross proceeds to the Company of CAD 2,000,000. Kerr agreed to sell 4,000,000 Bonterra Shares to each of Braydon Capital Corporation, a company controlled and owned by Claudio Ciavarella who is a director of the Company and Trans Oceanic Minerals Company Ltd., a company controlled by Fahad Al Tamimi, the Company's Chairman of the board of directors.
- On January 4<sup>th</sup>, 2017, the Patch Living Trust (PLT) and TOMCL entered into an agreement whereby TOMCL purchased, from PLT, a portion of the production gross royalty equivalent to a 4.5 percent production gross royalty. The purchase leaves PLT with a 1.5 percent production gross royalty. Prior to this agreement, PLT owned the sole production gross royalty which was for 6 percent.

- On February 28, 2017 the Corporation announced it that consistent with its strategy to strengthen its balance sheet and reduce its debt, the Company has reached an agreement with Jubilee Gold Exploration Ltd. (TSXV:JUB) to settle the accrued advance royalty payable. The companies have also revised their existing royalty agreement to remove all future advance royalty obligations relating to the McGarry property located in northern Ontario.
- On March 2, 2017 the Corporation announced it has successfully completed its de-watering program at its flagship Copperstone mine in Arizona and has started the next phase of its plan to define and expand current resources, and establish a new production plan.
- On April 11, 2017 the Corporation announced the appointment of Claudio Ciavarella as Chief Executive Officer and Martin Kostuik as President and Director
- On May 15, 2017 the Corporation announced that Forte Fixtures & Millwork Inc. a company controlled and owned by Claudio Ciavarella, Chief Executive Officer and Director of Kerr, and Trans Oceanic Minerals Company Limited, a company controlled by Fahad Al Tamimi, the Company's Chairman have purchased 3,500,000 shares for USD 550,000 from a supplier that received the shares as part of a debt settlement agreement in July 2016. At the U.S. dollar exchange rates this represented a purchase price per share of approximately CAD 0.21, a 20% premium to market close. This purchase results in both Mr. Tamimi and Mr. Ciavarella increasing their respective positions to approximately 25% and 14% of the issued and outstanding common shares of Kerr on an undiluted basis.
- On May 15, 2017, the Corporation announced and oversubscribed non-brokered private placement with the intent to issue up to 45,000,000 units of the Company ("**Units**") at a price of \$0.18 per Unit (the "**Offering**") and a maximum of 22,500,000 Warrants. The issuance of the Common Shares forming part of the Units represents approximately 23.6% of the current issued and outstanding Common Shares on a non-diluted basis and with the potential maximum issuance of the 22,500,000 Warrants represents approximately 35.4% of the current issued and outstanding Common Shares. The net proceeds from the Offering is used to finance its exploration program at its flagship Copperstone Mine in Arizona.

### **Key Developments Year to Date**

- Acquisition of 4.5 percent of the 6 percent gross production royalty by a related party
- Executive team enhanced with new President and new CEO
- Board of Directors strengthened
- New Copperstone technical team and site management
- Successful private placement oversubscribed to CAD 8,000,000
- Launching of a 9,100 m (30,000 ft) surface and underground exploration program
- Initiation of an NI 43-101 compliant pre-feasibility study

### **Employees**

As of the date hereof, the Corporation has approximately 23 employees and contractors.

### **Foreign Operations**

The Corporation has operations in the Province of Ontario, Canada as well as in the State of Arizona, United States of America.

### **MINERAL PROPERTY – COPPERSTONE PROPERTY**

The following description has been summarized from a technical report compliant with National Instrument 43-101 entitled "NI 43-101 Technical Feasibility Report, Copperstone Property, La Paz County, Arizona" dated February 2, 2010 and revised January 10, 2011 and prepared by Dr. Corby Anderson, MMSA QP, C. Eng FIChemE, Tom Buchholz, B.S. Eng MMSA, Chris Pratt, LPG, Jonathan Brown, , M.B.A., C.P.G. (the "**Copperstone Report**"), each of whom are independent "Qualified Persons" as defined in NI 43-101, and is based on and subject to all the assumptions, qualifications and procedures contained therein, and which are not fully described herein. Readers

should consult the Copperstone Report to obtain further particulars regarding the Copperstone Project. The full text of the Copperstone Report is available on SEDAR under American Bonanza's profile, which can be accessed at [www.sedar.com](http://www.sedar.com).

## **Property Description and Location**

### ***Copperstone***

American Bonanza holds a 100 percent leasehold interest in the Copperstone Property. The landlord is the Trustee of the Angie Patch Survivor's and the Trustee of Daniel L. Patch Credit Trust "The Patch Living Trust" and the lease was for a 10-year term starting June 12, 1995, was renewed on June 12, 2005 for a 10 year term and renewed on June 12, 2015 for a further 10 year term. The lease is renewable by American Bonanza for one or more ten-year terms at the option of American Bonanza under the same terms and conditions. American Bonanza is obligated to pay for all permitting and state lease bonding, insurance, taxes, and to pay a 1.5 percent production gross royalty with a minimum advance royalty per year of USD 30,000. In addition, as of January 4, 2017, American Bonanza is obligated to pay a 4.5 percent production gross royalty to Trans Oceanic Mineral Company. Production gross royalty obligations for the Copperstone Property total 6 percent.

### ***Copperstone Gold Property History of Ownership***

In August 1998, American Bonanza entered into an agreement with Arctic Precious Metals Inc. ("**APMI**"), a wholly owned subsidiary of Royal Oak Mines Inc. ("**Royal Oak**"), to explore and develop the Copperstone Property in La Paz County, Arizona, U.S.A. Under the agreement, American Bonanza acquired 25 percent of APMI's leasehold interest in the Copperstone Property for a cash payment of USD 500,000 with an option to increase its interest in the project to 80 percent through property expenditures of USD 3 million and a future cash payment to APMI of USD 1 million. In 1995 APMI had acquired a renewable lease for the Copperstone Property from the Patch Living Trust.

In April 1999, APMI became subject to Chapter 11 proceedings under U.S. bankruptcy law and in November 1999 American Bonanza entered into a conditional Purchase and Sale Agreement with APMI, concerning the purchase by Old Bonanza of the 75 percent interest owned by APMI in the Copperstone Property.

In March 2002, American Bonanza acquired all APMI's leasehold interest in the Copperstone Property by obtaining an assignment of APMI's interest in the lease with the Patch Living Trust. The assignment was approved in a lengthy US Bankruptcy Court process. As a result, American Bonanza's interest in the Copperstone Property increased from 25 percent to 100 percent, subject only to the existing lease and its royalty arrangements. This acquisition was funded by a loan of USD 1,100,000 from Brascan Financial Corporation which was repaid in October 2003.

American Bonanza's interest in the D-Zone of the Copperstone Mine was held through the Copperstone D-Zone joint venture. The joint venture was formed in September 2000, when American Bonanza entered into an agreement with Centennial Development Corporation ("**CDC**") for the underground exploration and extraction of mineralized materials from only the D-Zone of up to 50,000 tons of mineralized material from the Copperstone Property (the "**Copperstone D-Zone Joint Venture**", as amended).

During 2001, American Bonanza earned an additional 5 percent interest in the Copperstone D-Zone Joint Venture for a total earned interest of 60 percent.

On February 14, 2002, American Bonanza entered into an agreement with CDC whereby it would acquire the remaining 40 percent interest of the D-Zone Joint Venture not already owned.

Operations on the Copperstone Property were suspended on October 11, 2013, and the mine was placed on care and maintenance. All commitments including a 3 percent royalty on 50,000 tonnes of production from D zone and various cash payments, were completed and American Bonanza earned the remaining 40% interest in the D-Zone Joint Venture.

Kerr Mines acquired TSX listed American Bonanza on June 27, 2014, and with it, the Copperstone Project.

## **Location and Access**

The Copperstone Property is located in La Paz County, Arizona, United States. The closest communities are Quartzite, located 16 km to the south and Parker, located 40 km to the north. Phoenix is 106 km east of the Copperstone Property. The property is accessible from Phoenix on Interstate 10 to Quartzite and Route 95 from Quartzite. An 8 km unpaved mine road connects the property to Route 95.



#### **Title**

The Copperstone Property totals approximately 4,775 hectares (11,800 acres) and is located in La Paz County, Arizona, about 16 km north of the town of Quartzite. The property consists of 546 contiguous unpatented lode claims. The annual claim fees paid to the BLM in 2017 were approximately USD 85,000.

The land is under the jurisdiction of the United States Bureau of Land Management (BLM). The Patch Living Trust (“PLT”) of Scottsdale, Arizona owns the title to the central 284 mineral claims. In June 1995, the Copperstone Property was leased from PLT by APMI for a 10-year term and is renewable at the option of the lessee. On June 12, 2005, the lease was renewed for an additional 10 years. In 2015, the lease was renewed from PLT by Kerr for an additional 10 years. The lease includes a minimum advance royalty of USD 30,000, payable yearly.

Access to the property is under three separate Right of Way (ROW) agreements. Mine power line, access road, and water line ROWs (AZA-032504, AZA-032505 and AZA-032506) are all granted for the benefit of the mine, are co-located and application for renewal of each has been submitted. The ROWs renewal processing period is underway and Kerr expects within one year to receive the approved renewal. The ROWs, pending the outstanding approval and regular remittance of annual fees, will be valid from Aug 16, 2017 to Aug 16, 2042.

In addition, the D-Zone was subject to a 3% royalty on the first 50,000 tons of mineralized material extracted from a specific portion of the D-Zone and as of December 31, 2013 this obligation has been fulfilled.

#### **Accessibility, Climate, Local Resources, Infrastructure, and Physiography**

The Copperstone Property is located 16 km north of the town of Quartzite, Arizona and about 40 km south of the town of Parker, the county seat of La Paz. The property is accessible from the Highway 95, north of Quartzite, and then turning west on a 6.5 km gravel road to the mine site. The site access road is well maintained and suitable for all anticipated mine usage. The main east-west line for the Santa Fe railroad is about 24 km north of the property. The climate in the area is very dry with an average annual precipitation of 4 inches. Summers are warm with an average temperature from May to September of 31.5 deg C. Winters are mild with an average temperature from October to

April of 17 deg C. The maximum and minimum temperatures for the area are about 49 deg C and -6 dec C, respectively.

Significant infrastructure exists from the previous Cyprus mining operation conducted from 1988 to 1993. Prior to 2011, the infrastructure consisted of office, shops, storage facilities, various housing trailers, power, and water. Operational water can be available from existing on-site wells while potable water must be trucked to the site. Presently, the mine communication utilizes a microwave telephone communication and internet, onsite vhf radio and cell phones. Existing infrastructure includes a power line and substation, three water wells, underground development and supporting infrastructure, offices, maintenance shops, a laboratory building, permitted tailings facility and a 450 ton per day mineral processing facility- all sufficient for the proposed potential operations at the Copperstone mine.

The Copperstone Property is located on sandy desert terrain, with scattered small hills and local sand dunes. The area is relatively flat with surface elevations ranging from about 221 to 274 meters (725 to 900 feet).

### **Resource Development History**

During the period 1987 to 1993, Cyprus Minerals ("Cyprus") operated a 2,500 ton per day open-pit mine at Copperstone that produced approximately 500,000 ounces of gold from the Copperstone fault. The mine was closed at the economic limit of open-pit mining. Reported production (Ackerman,1998) by Cyprus at Copperstone was 514,000 oz of gold from 5,600,000 Mt of ore grading 0.089 oz/t of gold. Gold recovery for the life of mine was 89 percent. The strip ratio of the pit was 10:1. Cyprus drilled 496 reverse circulation and 73 core holes for a total of 569 holes. Following the mine closure in 1993, Cyprus reclaimed the tailings pond and removed the Carbon-in-Pulp mill. Office, shop and warehouse facilities remain at the site. Furthermore, the 69 kv power line and substation remains in service, together with the three water wells with a 200 hp pumping capacity.

Santa Fe Pacific Gold Corporation ("**Santa Fe**") leased the property in 1993 and completed 12,500 feet of reverse circulation drilling on seven exploration targets. Santa Fe intersected significant gold mineralization in the footwall of the Copperstone fault with hole DCU-8 having an intercept assaying 0.646 oz/t of gold over 15 feet.

In 1995, Royal Oak Mines leased the property from the Patch Living Trust and drilled 35 drill holes totaling about 25,875 feet between 1995 and 1997.

The drill program concentrated on deep extensions of the mineralization in the Copperstone Fault to the north and down dip to the east of the open pit. Results showed several high-grade gold intersections to the north and east of the open-pit with potential for underground mining.

In August of 1998, American Bonanza (then operating under the name Asia Minerals) entered into a joint venture with Royal Oak Mines to explore and develop the Copperstone Property. During the summer of 1998, American Bonanza drilled 15 holes with a total of about 10,050 feet of drilling completed. A series of drill holes within what was then termed the D-Zone showed relatively high-grade gold intersections. In early 2000, American Bonanza conducted additional diamond and reverse-circulation drilling with a total footage of 7,470 ft. The holes were designed to test the strike extension of the D-Zone with the best intercept in hole A00-10 which assayed 0.943 oz/t Au over 10.5 feet. From 2003 to 2013, American Bonanza conducted various drilling programs totaling 73,000 m (242,000 ft). These programs explored targets in the Copperstone Zone, the South Pit Zone, the Parallel Zone and the South West zone.

American Bonanza drilling includes both surface and underground drilling. Drilling was concentrated in the A-, B-, C-, and D-Zones (al together, the Copperstone Zone). The drilling program was designed to convert indicated and inferred resources into measured resources in the Copperstone Zone while testing additional exploration targets down dip and along strike. A technical feasibility report was published on January 10, 2011 which summarizes the findings. It was filed on [www.sedar.com](http://www.sedar.com).

### **Geology Setting**

The Copperstone Property occurs within the "Basin and Range" province of the south-western USA. The regional geology is strongly influenced by Tertiary age detachment faults and younger high angle normal faults. The Copperstone gold deposit is related to the Moon Mountain or Copper Peak detachment fault. Gold mineralization at

Copperstone occurs principally within the moderate to low-angle Copperstone Fault which has been interpreted to be a listric fault associated with the underlying Moon Mountain detachment fault. Gold occurs as native flakes within fault breccia, gouge and shear zones related to the faulting. The wall and host rocks are typically Triassic sediments and Jurassic quartz latite volcanics. Gold is commonly associated with hematite, chlorite, quartz, manganese oxide and copper oxide mineralization.

### **Mineralization**

Gold mineralization at Copperstone occurs mostly as particles with about 80% as small flakes ranging between 4 to 40 microns. Coarse gold ranges in size from 50 to 150 microns. Gold typically is free and associated with early and late stage quartz/amethyst and occasionally calcite.

Coarse gold occurs in the quartz latite porphyry cut by amethyst-quartz vein fringes, as flakes in fracture, and on the wall rock associated with copper oxides. Previous operators concluded that much of the coarse gold is directly depositional in origin, because it occurs as discrete three-dimensional grains.

### **Drilling and Exploration**

On October 14, 2015, the Corporation announced results of a drilling campaign conducted at the Copperstone Property. The drilling campaign consisted of four diamond drill holes with a total core length of 3,040 feet which confirmed and extended mineralization in the Parallel Zone. Details of the drill results can be found in the Corporation's press release dated October 14, 2015 and filed on the Corporation's profile on [www.sedar.com](http://www.sedar.com).

A summary of historical drilling on the Copperstone Property is below:

<b>Year</b>	<b>Drillhole Count</b>	<b>Total Feet</b>	<b>Company</b>
1984	13	3,406	Cyprus
1985	560	239,184	Cyprus
1986	2	1,189	Cyprus
1988	3	1,900	Cyprus
1993	17	12,500	Santa Fe
1995	13	10,001	Royal Oak
1996	6	6,454	Royal Oak
1997	15	11,958	Royal Oak
1998	15	10,979	Asia Minerals
2000	11	8,609	Asia Minerals
2001	11	893	Asia Minerals
2003	28	11,003	Bonanza
2004	126	92,463	Bonanza
2005	108	67,403	Bonanza
2006	27	25,410	Bonanza
2007	17	17,983	Bonanza
2008	15	14,147	Bonanza
2012	8	800	DZ Holes
2013	154	13,447	Bonanza Underground
2015	4	3,045	Kerr

552,777

### **ADDITIONAL NON-CORE MINERAL PROPERTIES**

The Corporation also holds the McGarry and Bear Lake projects. They are located in Northeastern Ontario on the Cadillac-Larder Lake Break that extends 200 km east-west, straddling the Ontario and Quebec border, and that has produced 95 million ounces of gold.

The McGarry Property, The McGarry Property consists of 33 contiguous patented mining claims, including three licences of occupation totalling approximately 1,200 acres. The infrastructure includes a 110-foot production-ready headframe, a three-compartment shaft to 2,290 feet below surface with two six-foot by six-foot hoisting compartments. In addition, there is a fully operational 10-foot double-drum hoist capable of production hoisting at 1,000 tons per day to a depth of 4,400 feet. Development and exploration at this site have been suspended until market conditions improve.

### **McGarry Property Description and Location**

The McGarry Property, which is still deemed to be in exploration and evaluation, is located in Virginiatown, Ontario. It consists of 33 contiguous, patented mining claims and mining licences of occupation totalling 1,135 acres with surface rights on a majority of the claims totalling 976 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 the Corporation and 25% by Jubilee Gold Inc. All proceeds of production from the Property are to the Corporation, 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 USD 800 per ounce. The current status of royalty payments to Jubilee is in compliance with the agreement.

### **Accessibility, Climate, Local Resources, Infrastructure and Physiography**

The McGarry Property is located in the heart of an established mining district that is well served by local labour skilled at narrow vein gold mining techniques and by equipment and service suppliers specializing in underground mining. The Property is traversed by a part of the Trans-Canada Highway system and by a Hydro One three-phase electric transmission line, both within a few hundred feet of the headframe.

The McGarry Property has established mining infrastructure installed or upgraded since the mid 1980's and all owned by the Corporation. This infrastructure includes a 110 ft production-ready headframe, a 3-compartment shaft to 2290 feet below surface with two 6 ft by 6 ft hoisting compartments equipped with a service cage and a 5 ton skip respectively. In addition, there is a fully operational 10 ft double drum hoist capable of production hoisting at 1000 tons per day to a depth of 4400 ft. There is a mine air heater installed over a ventilation raise capable of heating all the fresh air required for production mode. Other infrastructure includes fresh water supply, compressed air, high speed communications, pumping systems, electrical substation, surface change-house and workshop. The shaft has stations cut at 200 ft level intervals and established levels at 550, 650, 1250, 1650, 2050 and 2250 feet below surface. The most extensive level is 2250 which extends 2700 ft west of the shaft and 400 ft east.

### **Geological Setting, Mineralization, Drilling, and Sampling**

The McGarry Property has been actively explored since at least the 1930's with major underground campaigns in the mid 1940's, 1980's, 1990's and in 2007-2009. Exploration work consists of underground diamond drilling in 421 holes totalling over 304,000 ft; by drifting on 6 levels; and bulk sampling from 5 different locations. The deepest drill holes test to 5600 feet below surface.

Geologically, the Property sits astride the Larder Lake "Break" which is a major feature extending from Val d'Or in Quebec to Kirkland Lake in Ontario. Numerous past and present gold mines exist in geological environments associated with this "Break" including the Kerr Addison Gold Mine immediately to the east of the McGarry Property. The Kerr Addison Mine produced over 11 million ounces of gold from 1938 to its closure in 1996. The geological setting includes a band of nearly vertically dipping and highly altered volcanics probably mixed with some sediments. The intense alteration has resulted in carbonate-rich units with various amounts of quartz and pyrite. Two types of gold-bearing environments within the alteration zone were mined at Kerr Addison: "green carbonate" and "flow ore" in a ratio of about 40:60 and at grades of 0.23 and 0.33 oz/t gold, respectively. Of note economically, pyritic "flow ore" was the most important type at Kerr Addison. Both types of gold mineralization are recognized at McGarry.

The most extensive drilling data is from the 2250 Level where fans of a nominal 7 holes each have been drilled over a strike extent of about 3000 feet at 100 ft intervals. Part of the 2007-2008 programme resulted in the completion of drill testing of a 600 ft gap in this pattern. During this campaign, holes were also drilled to continue the depth confirmation of gold mineralization to the 4000 ft elevation and to test an exploration gap between the 2250 and 1250 Levels west of the shaft.

In order to understand the nature and continuity of the gold-bearing zones, detailed sampling programmes were undertaken on the 2250 Level in 2007-2008. This work included cross cut drifting and panel sampling at 3 sections along the strike; bulk sampling of 34 drift rounds; bulk sampling of 2 test stopes; and in-fill drilling on a 50 ft spacing at one location.

An evaluation of the results of the recent detailed sampling programmes, considered together with previous bulk sampling programmes, leads to the conclusion that drill testing on 50 to 25 ft centres will be required to sufficiently define gold-bearing zones for production planning. It is also concluded that a stoping method will require guidance from in-stope face sampling and geological mapping on a daily basis in order for mining to follow local changes in strike, dip and plunge. Further, any mining method applied at McGarry will have to be of the narrow-vein type, for example, shrinkage stoping. Structures related to shearing and faulting sub-parallel to the identified gold zones are not fully understood yet. It has been concluded that these structures may cause off-sets at a stope scale and will require special attention to reduce hanging wall and footwall dilution. In general, ground conditions in the underground workings are very good except within well-defined graphitic shear zones.

### **Bear Lake Property**

The Bear Lake property straddles 13 km strike length of the Larder Lake-Cadillac Break and consists of the Chemins, Fernland, and Bear Lake gold properties and the Swansea property (75%). The Barber Lake Property consists of 17 mining claims, including 2 mining licences of occupation, located contiguous to the western boundary of the McGarry Property, and were acquired from Bear Lake Gold in November 2012. On April 26th, 2016, the Company closed the March 17th, 2016 announced transaction with BonTerra Resources Inc. (TSXV: BTR) pursuant to which BonTerra acquired from Kerr Mines a 100% interest in the Larder Lake Property. Pursuant to the terms of the acquisition agreement dated March 16, 2016, between BonTerra and Kerr Mines, as amended, BonTerra paid CDN\$200,000 and issued an aggregate of 10,000,000 common shares of BonTerra. In addition, BonTerra completed the following payments: (a) CDN\$300,000 on or before December 26, 2016 (paid); (b) CDN\$350,000 on or before April 26, 2017 (paid); and (c) CDN\$300,000 on or before October 26, 2017.



## **RISK FACTORS**

Due to the nature and current stage of development of the Corporation's business, the Corporation is subject to various financial, operational and political risks.

A prospective investor or other person reviewing the Corporation for a prospective investor should not consider an investment in the Corporation unless the investor is capable of sustaining an economic loss of the entire investment.

The risks and uncertainties identified and described below are not necessarily the only ones that could be faced by the Corporation. If any of the following risks, or any other risks and uncertainties that the Corporation has not yet identified, actually occur, the Corporation's business, prospects, financial condition, results of operations, and cash flows could be materially and adversely affected.

### ***Exploration and Mining Risks***

The business of mining and exploring for minerals involves a high degree of risk. Due in some cases to factors that cannot be foreseen, only a small proportion of the properties that are explored worldwide are ultimately developed into producing mines. At present, none of the Corporation's properties have proven or probable reserves and the proposed programs are an exploratory search for proven or probable reserves. The areas currently being assessed by the Corporation may not contain economically recoverable volumes of minerals or metals. The operations of the Corporation may be disrupted by a variety of risks and hazards which are beyond the control of the Corporation, including labor disruptions, the inability to obtain suitable or adequate machinery, equipment or labor and other risks involved in the conduct of exploration programs. Once economically recoverable volumes of minerals are found, substantial expenditures are required to establish reserves through drilling to develop metallurgical processes, and to develop the infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities or having sufficient grade to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing copper and other mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material.

### ***Financing Risks***

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

### ***Credit Risk***

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Corporation. Management's assessment of the Corporation's risk is low as it is primarily attributable to money-market funds held in a Canadian bank, Goods and Services Tax due from the Federal Government of Canada, and a deposit held with Ontario Hydro which are included in accounts receivable and sundry assets. The Corporation periodically monitors the investments it makes and is satisfied with the credit ratings of its bank.

### ***Interest Rate Risk***

The Corporation has cash balances, short-term interest-bearing debt and some long-term interest-bearing debt. The Corporation's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institution. The short-term note and long-term loans bear interest at fixed rates.

### ***Estimates of Mineral Resources and Production Risks***

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

### ***Mineral Prices***

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

### ***Competition***

The Corporation competes with many companies that have substantially greater financial and technical resources than the Corporation for the acquisition of mineral properties as well as for the recruitment and retention of qualified employees and the purchase or lease of equipment and third-party servicing companies.

### ***Environment and other Regulatory Requirements***

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

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

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

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

have a material adverse impact on the Corporation and cause increases in expenditures and costs or require abandonment or delays in developing new mining properties.

### ***Title Matters***

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

### ***Dependence on Key Personnel***

The Corporation's development to date has largely depended, and in the future will continue to depend, on the efforts of key management. Loss of any of these people could have a material adverse effect on the Corporation and its business. The Corporation has not obtained and currently does not intend to obtain key-person insurance in respect of any directors and other employees.

### ***Share Price Fluctuations***

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

### ***No Dividends***

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

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

The Corporation has no mineral properties from which any ore has ever been extracted and sold and its ultimate success will depend on its ability to generate cash flow from producing properties in the future. The Corporation has not earned profits to date and there is no assurance that it will do so in the future.

### ***Political Risk***

The Corporation currently conducts its activities in Ontario, Canada and in Arizona and Nevada, USA and is exposed to whatever risks and uncertainties exist or may come into effect in the future. There can, for example, be no assurance that future political and economic conditions in Ontario will not result in the government adopting policies respecting the development of interests in mineral resources which could be adverse to the Corporation's interests or profitability. Any such changes in policy could result in changes in laws affecting such matters as interests in assets, mining policies, monetary policies, taxation, rates of exchange, environmental protection, labour relations, repatriation of income, and return of capital, which may affect both the Corporation's ability to undertake activities in respect of present and future properties in the manner currently contemplated.

## DIVIDENDS

The Corporation has not paid any dividends on the Common Shares. The Corporation has no present intention of paying dividends on the Common Shares, as it anticipates that all available funds will be invested to finance exploration and development programs on its mineral properties as well as the potential acquisition of additional mineral properties. The Corporation is limited in its ability to pay dividends on the Common Shares by generally applicable restrictions under corporate law referred to as “solvency tests”.

## DESCRIPTION OF CAPITAL STRUCTURE

### Authorized and Issued Share Capital

The Corporation is authorized to issue an unlimited number of Common Shares without par value, having the rights, privileges, restrictions and, conditions summarized below. As of the date of this AIF 235,413,299 Common Shares are issued and outstanding. The Corporation’s Common Shares are listed for trading on the TSX (Symbol: KER) as well as on the OTCQB (Symbol: KERMF) and Frankfurt (Symbol: 7AZ1).

### Common Shares

The holders of Common Shares are entitled to receive notice of, and to exercise one vote per share at, every meeting of shareholders of the Corporation, to receive such dividends as the Board declares, and to share equally in the assets of the Corporation remaining upon the liquidation of the Corporation after the creditors of the Corporation have been satisfied.

### Warrants

The Corporation has a total of 22,222,223 Common Share purchase warrants (“**Warrants**”) issued and outstanding. As at the date of this AIF, the following Warrants remain unexercised:

- 17,820,269 Warrants exercisable into Common Shares at a price of \$0.27 until June 29, 2019;
- 4,401,948 Warrants exercisable into Common Shares at a price of \$0.27 until July 10, 2019

### Stock Options

On July 6, 2015, the Corporation adopted its current stock option plan. The purpose of the plan is to provide incentives to directors, officers, employees, and consultants of the Corporation. The maximum number of common shares reserved for issuance upon exercise of the options is 10% of issued and outstanding shares. The Board 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.

As at the date of this AIF, the Corporation has 7,880,000 stock options outstanding or exercisable. As at the date of this AIF, the following stock options remain unexercised:

- 4,000,000 stock options exercisable into Common shares at a price of \$0.19 until May 2, 2022
- 3,880,000 stock options exercisable into Common shares at a price of \$0.22 until August 23, 2022

On a fully diluted basis, therefore, the Corporation has 265,515,522 Common Shares outstanding.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Corporation’s Common Shares started trading on the TSX on August 18, 2006 under the trading symbol “AZ”. As a result of the change of name of the Corporation to Kerr Mines Inc., the Common Shares began trading on the

TSX under the symbol “KER” effective the opening of the market on January 15, 2014. The table below sets forth the high and low trading prices and volume for the Common Shares traded through the TSX on a monthly basis for the period commencing on July 1, 2016 and ending on June 30, 2017.

Period	Price Range and Trading Volume		
	High	Low	Volume
July 2016	0.14	0.11	3,560,200
August 2016	0.14	0.10	2,422,100
September 2016	0.15	0.12	3,210,400
October 2016	0.14	0.09	1,366,600
November 2016	0.13	0.09	967,600
December 2016	0.15	0.12	1,897,300
January 2017	0.15	0.13	1,845,900
February 2017	0.18	0.12	2,842,400
March 2017	0.24	0.17	2,765,200
April 2017	0.20	0.17	3,554,000
May 2017	0.27	0.17	5,893,800
June 2017	0.25	0.21	2,632,000

#### Prior Sales

The following table summarizes details of the securities issued by the Corporation during year ended June 30, 2017.

Date of Issuance	Description of Transaction	Price per Security (\$)	Number and Type of Securities Issued
June 29, 2017	Private placement, issuance of units	\$0.18	35,640,538 common shares 17,820,269 common share purchase warrants
July 10, 2017	Private placement, issuance of units	\$0.18	8,803,896 common shares 4,401,948 common share purchase warrants

#### ESCROWED SECURITIES

To the knowledge of the Corporation there are no Common Shares of the Corporation that are held in escrow.

#### DIRECTORS AND OFFICERS

##### Name, Occupation, and Securities Holding

The following table sets forth the name, city, and province of residence and position held with the Corporation and principal occupation of each director and executive officer of the Corporation.

Name, Province or State and Country of Residence and Position with the Corporation	Director Since	Principal Occupation
Claudio Ciavarella <sup>(3)(4)</sup> Ontario, Canada CEO	December 19, 2013	President of Forte Fixtures and Millwork Inc. for the last 10 years, and he previously held the position of Chief Financial Officer for The Atlas Group of Companies for 9 years. Mr. Ciavarella has been a Professional Accountant for 23 years as a member of the Society of Management Accountants of Ontario. He previously served as a director of Kerr from 2005 to 2006.

Name, Province or State and Country of Residence and Position with the Corporation	Director Since	Principal Occupation
Fahad Al Tamimi <sup>(3)</sup> Saudi Arabia Director and Chairman	June 30, 2016	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. Mr. Al Tamimi is a businessman with experiences in mining, oil and gas, refineries, real estate and shipping.
Peter Damouni <sup>(1)(2)</sup> London, United Kingdom Director	June 30, 2016	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.
Ayman Arekat <sup>(1)(2)(4)</sup> Bahrian Director	June 30, 2016	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.
James McVicar <sup>(1)(2)</sup> Ontario, Canada	March 29, 2017	Mr. McVicar is a lawyer with over 20 years' of specialized experience in corporate finance and corporate/commercial matters for natural resources companies. Earlier in his career, Mr. McVicar worked for a number of years at the Ontario Securities Commission. Mr. McVicar obtained his law degree from the University of Alberta and holds a Bachelor of Science (Honours) from Queens University.
Martin Kostuik <sup>(3)(4)</sup> Tennessee, USA President	April 11, 2017	President of the Corporation since April 11, 2017. Mr. Kostuik (B.Sc., MBA) is a mining engineer and senior executive with 25 years of diversified experience in the mining industry. Senior Vice President of Operations and Development, Luna Gold Corporation where he was responsible for operations, development, capital projects, environmental, government and community relations. Mr. Kostuik was also President, CEO and Director of Rupert Resources Limited where he focused on implementing exploration programs for existing assets and on developing the company through evaluations of investment opportunities for near term corporate growth. He has obtained a broad base of experience in operations, engineering, exploration and capital projects with various companies including Barrick Gold Corporation, Taseko Mines Limited, DMC Mining Services and The Rogers Group

Name, Province or State and Country of Residence and Position with the Corporation	Director Since	Principal Occupation
Christopher Hopkins Ontario, Canada Chief Financial Officer & Corporate Secretary	N/A	Chief Financial Officer & Corporate Secretary of the Corporation since March 2016. Mr. Hopkins has over 25 years of experience in a variety of financial management roles in the resources industry. The majority of his career has been spent in senior financial roles with publicly-listed mining companies, including U.S. Silver, Rio Algom Limited, BHP Billiton, Suncor Inc. and several Canadian and international junior mining companies.

Notes:

- (1) *Member of the Audit Committee.*
- (2) *Member of the Governance, Compliance and Disclosure Committee.*
- (3) *Member of the Compensation Committee.*
- (4) *Member of the Health, Safety and Environmental Committee.*

The directors and executive officers of the Corporation, as a group beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 81,347,892 Common Shares, representing 34.6% of the Common Shares outstanding as of the date of this AIF.

Each director's term of office will expire at the next annual meeting of shareholders or until his successor is duly elected or appointed, unless his office is vacated earlier in accordance with the by-laws of the Corporation or he becomes disqualified to act as a director of the Corporation.

#### **Corporate Cease Trade Orders and Bankruptcies**

Other than as described below, none of the directors or executive officers of the Corporation or, to its knowledge, shareholders holding sufficient Common Shares to materially affect the control of the Corporation are, or within the previous 10 years, have been a director or executive officer of any other issuer that, while acting in such capacity,

- (i) was the subject of a cease trade or a similar order or an order that denied the issuer access to any exemptions under securities legislation for a period of more than 30 consecutive days;
- (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (iii) 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 the assets of such issuer.

#### **Personal Bankruptcies**

Within the previous 10 years of the date of this AIF none of the directors or executive officers of the Corporation or, to the Corporation's knowledge, shareholders holding sufficient Common Shares to materially affect the control of the Corporation have become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets.

#### **Personal Penalties and Sanctions**

None of the directors or executive officers of the Corporation or, to the Corporation's knowledge, shareholders holding sufficient Common Shares to materially affect the control of the Corporation have been subject to:

- (i) any penalties or sanctions proposed by a court relating to securities legislation or by a securities regulatory authority or have entered into a settlement agreement with a securities regulatory authority; or
- (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

Certain officers and directors of the Corporation are officers and directors of, or are associated with, other natural resource companies that acquire interests in mining properties. Such associations may give rise to conflicts of interest from time to time. The directors are required by law, however, to act honestly and in good faith with a view to the best interest of the Corporation and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Corporation and to abstain from voting as a director for the approval of any such transaction.

## **AUDIT COMMITTEE**

### **Audit Committee Charter**

The purpose of the Audit Committee is to augment and improve financial disclosure and to ensure the Corporation's compliance with disclosure requirements. The Audit Committee is responsible for overseeing the Corporation'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 Corporation. The Audit Committee maintains direct communications with the Corporation's external auditors and the Corporation senior officers responsible for accounting and financial matters. A copy of the Corporation's Audit Committee Charter is attached hereto as Schedule "A".

### **Composition of the Audit Committee**

The Audit Committee is comprised of the following three directors: Messrs. Damouni (Chairman), McVicar and Arekat two of three of which are "independent" and each of which is "financially literate" within the meaning of National Instrument 52-110 – *Audit Committees* ("NI 52-110"). Mr. Damouni is not independent as he provides consulting services to the Corporation.

### **Relevant Education and Experience**

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an audit committee member is as follows:

**Peter Damouni:** Mr. Damouni has over 6 years of experience in investment banking and capital markets with expertise in mining and oil and gas. He has previously held senior positions in investment banking, 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.

**James McVicar:** Mr. McVicar is a lawyer with over 20 years' of specialized experience in corporate finance and corporate/commercial matters for natural resources companies. Earlier in his career, Mr. McVicar worked for a number of years at the Ontario Securities Commission. Mr. McVicar obtained his law degree from the University of Alberta and holds a Bachelor of Science (Honours) from Queens University.

**Ayman Arekat:** Mr. Arekat has over 35 years of strong banking, finance, investment and business management experience and has worked with global institutions such as Chase Manhattan Bank, Merrill Lynch, Deutsche Bank, Investcorp and Abraaj Capital and as an independent businessman.

### **Reliance on Certain Exemptions**

Since the commencement of the Corporation's most recently completed financial year, the Corporation has not relied on any of the exemptions set out in section 2.4 (De Minimis Non-audit Services), section 3.2 (Initial Public Offerings),



section 3.4 (Events Outside Control of Member), section 3.5 (Death, Disability or Resignation of Audit Committee Member), in subsection 3.3(2) (Controlled Companies), in section 3.6 (Temporary Exemption for Limited and Exceptional Circumstances), or section 3.8 (Acquisition of Financial Literacy) of Multilateral Instrument 52-110 *Audit Committees* (“MI 52-110”), or an exemption from this Instrument, in whole or in part, granted under Part 8 (Exemptions) of MI 52-110.

### **Audit Committee Oversight**

Since the commencement of the Corporation’s most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

### **Pre-Approval Policies and Procedures**

The Audit Committee reviews and pre-approves all audit-related services, and any non-audit services, to be provided by, and the estimated fees and other compensation related thereto to be paid to (or establishing a limit for such fees and compensation), its auditor.

### **External Auditor Service Fees (By Category)**

The following table discloses the fees billed to the Corporation by its external auditor during the last two financial years.

<b>Financial Year Ending</b>	<b>Audit Fees <sup>(1)</sup></b>	<b>Audit Related Fees<sup>(2)</sup></b>	<b>Tax Fees <sup>(3)</sup></b>	<b>All Other Fees</b>
June 30, 2016	\$95,000	--	\$19,200	--
June 30, 2015	\$73,000	--	--	\$42,000

Notes:

- (1) The aggregate audit fees billed in connection with statutory and regulatory filings, principally for the audit of the annual financial statements.
- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audits or reviewing the Company’s financial statements and are not included under “Audit Fees”.
- (3) The aggregate fees billed for services related to tax compliance, tax advice and tax planning, including tax return preparation and other compliance matters.

### **LEGAL PROCEEDINGS**

The Corporation is not a party to, nor is any of its property the subject of, any material legal proceedings or regulatory actions, and no such proceedings or actions are known to the Corporation to be contemplated

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as disclosed herein, no director or executive officer of the Corporation, no person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of any class or series of the Corporation’s outstanding voting securities and no associate or affiliate of any of such persons or companies has any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Corporation.

### **AUDITOR, TRANSFER AGENT AND REGISTRAR**

The Corporation’s current auditor is Kreston GTA LLP, 8953 Woodbine Avenue, Markham, Ontario L3R 0J9.

The Corporation’s registrar and transfer agent is TSX Trust, 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1.

## INTERESTS OF EXPERTS

### Names of Experts

The following persons, firms, and companies are named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 *Continuous Disclosure Obligations* by the Corporation during, or relating to, its most recently completed financial year and whose profession or business gives authority to the statement, report or valuation made by the person, firm or company.

Name, Firm & Location	Description
Kreston GTA LLP 8953 Woodbine Avenue, Markham, ON L3R 0J9	Auditors of the Corporation
Dr. Corby Anderson, MMSA QP, C. Eng FIChemE, Tom Buchholz, B.S. Eng MMSA, Chris Pratt, LPG, Jonathan Brown, M.B.A., C.P.G.	Qualified Persons

### Interests of Experts

Kreston GTA, LLP has advised the Corporation that it is independent of the Corporation within the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

As of the date hereof, to the Corporation's knowledge, the other experts named in the foregoing section beneficially own, directly or indirectly, less than one percent of the securities of the Corporation.

None of such experts and no director, officer or employee of such experts is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

## ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the securities of the Corporation, securities authorized for issuance under equity compensation plans, where applicable, is contained in the Information Circular of the Corporation for its most recent annual meeting of shareholders.

Additional financial information is provided in the financial statements and management's discussion and analysis of the Corporation for its most recently completed financial year, all of which are filed on SEDAR. See Schedules "A" and "B" for particulars of the Audit Committee's charter, its members and related matters.

Other additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## SCHEDULE “A” AUDIT COMMITTEE CHARTER

### NAME

There shall be a committee of the board of directors (the “**Board**”) of Kerr Mines Inc. (the “**Company**”) known as the Audit Committee.

### PURPOSE OF AUDIT COMMITTEE

The Audit Committee has been established to assist the Board in fulfilling its oversight responsibilities with respect to the following principal areas:

- (a) the Corporation’s external audit function; including the qualifications, independence, appointment and oversight of the work of the external auditors;
- (b) the Corporation’s accounting and financial reporting requirements;
- (c) the Corporation’s reporting of financial information to the public;
- (d) the Corporation’s compliance with law and regulatory requirements;
- (e) the Corporation’s risks and risk management policies;
- (f) the Corporation’s system of internal controls and management information systems; and
- (g) such other functions as are delegated to it by the Board.

Specifically, with respect to the Corporation’s external audit function, the Audit Committee assists the Board in fulfilling its oversight responsibilities relating to: the quality and integrity of the Corporation’s financial statements; the independent auditors’ qualifications; and the performance of the Corporation’s independent auditors.

### COMPOSITION

The Audit Committee shall consist of as many members as the Board shall determine but, in any event not fewer than three directors appointed by the Board. Each member of the Audit Committee shall continue to be a member until a successor is appointed, unless the member resigns, is removed or ceases to be a director of the Corporation. The Board, following consideration of the recommendation of the Nominating Committee, may fill a vacancy which occurs in the Audit Committee at any time.

Members of the Audit Committee shall be selected based upon the following and in accordance with applicable laws, rules and regulations:

- (a) **Director.** Every audit committee member must be a director of the Corporation.
- (b) **Financially Literate.** Each member shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Audit Committee. For these purposes, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.
- (c) **Independence.** Each audit committee member shall be independent as defined by Section 1.4 of the Canadian Securities Administrators Multilateral Instrument 52-110.

## **CHAIR AND SECRETARY**

The Chair of the Audit Committee shall be designated by the Board. If the Chair is not present at a meeting of the Audit Committee, the members of the Audit Committee may designate an interim Chair for the meeting by majority vote of the members present. The Secretary of the Corporation shall be the Secretary of the Audit Committee, provided that if the Secretary is not present, the Chair of the meeting may appoint a secretary for the meeting with the consent of the Audit Committee members who are present. A member of the Audit Committee may be designated as the liaison member to report on the deliberations of the Audit Committees of affiliated companies (if applicable).

## **MEETINGS**

The Chair of the Audit Committee, in consultation with the Audit Committee members, shall determine the schedule and frequency of the Audit Committee meetings provided that the Audit Committee will meet at least four times in each fiscal year and at least once in every fiscal quarter. The Audit Committee shall have the authority to convene additional meetings as circumstances require.

Notice of every meeting shall be given to the external and internal auditors of the Corporation, and meetings shall be convened whenever requested by the external auditors or any member of the Audit Committee in accordance with applicable law. The Audit Committee shall meet separately and periodically with management and legal counsel. The Audit Committee shall meet separately with the external auditors at every meeting of the Audit Committee at which external auditors are present.

## **MEETING AGENDAS**

Agendas for meetings of the Audit Committee shall be developed by the Chair of the Audit Committee in consultation with the management and the corporate secretary, and shall be circulated to Audit Committee members as far in advance of each Audit Committee meeting as is reasonable.

## **RESOURCES AND AUTHORITY**

The Audit Committee shall have the resources and the authority to discharge its responsibilities, including the authority, in its sole discretion, to engage, at the expense of the Corporation, outside consultants, independent legal counsel and other advisors and experts as it determines necessary to carry out its duties, without seeking approval of the Board or management.

The Audit Committee shall have the authority to conduct any investigation necessary and appropriate to fulfilling its responsibilities, and has direct access to and the authority to communicate directly with the external auditors, the counsel of the Corporation and other officers and employees of the Corporation.

The members of the Audit Committee shall have the right for the purpose of performing their duties to inspect all the books and records of the Corporation and its subsidiaries and to discuss such accounts and records and any matters relating to the financial position, risk management and internal controls of the Corporation with the officers and external auditors of the Corporation and its subsidiaries. Any member of the Audit Committee may require the external auditors to attend any or every meeting of the Audit Committee.

## **RESPONSIBILITIES**

The Corporation's management is responsible for preparing the Corporation's financial statements and the external auditors are responsible for auditing those financial statements. The Audit Committee is responsible for overseeing the conduct of those activities by the Corporation's management and external auditors, and overseeing the activities of the internal auditors.

The specific responsibilities of the Audit Committee shall include those listed below. The enumerated responsibilities are not meant to restrict the Audit Committee from examining any matters related to its purpose.

## **1. Financial Reporting Process and Financial Statements**

The Audit Committee shall:

- (a) in consultation with the external auditors and Chief Financial Officer, review the integrity of the Corporation's financial reporting process, both internal and external, and any major issues as to the adequacy of the internal controls and any special audit steps adopted in light of material control deficiencies;
- (b) review all material transactions and material contracts entered into between (i) the Corporation or any subsidiary of the Corporation, and (ii) any subsidiary, director, officer, insider or related party of the Corporation, other than transactions in the ordinary course of business;
- (c) review and discuss with management and the external auditors: (i) the preparation of Company's annual audited consolidated financial statements and its interim unaudited consolidated financial statements; (ii) whether the financial statements present fairly (in accordance with Canadian generally accepted accounting principles) in all material respects the financial condition, results of operations and cash flows of the Corporation as of and for the periods presented; (iii) any matters required to be discussed with the external auditors according to Canadian generally accepted auditing standards; (iv) an annual report by the external auditors describing: (A) all critical accounting policies and practices used by the Corporation; (B) all material alternative accounting treatments of financial information within generally accepted accounting principles that have been discussed with management of the Corporation, including the ramifications of the use such alternative treatments and disclosures and the treatment preferred by the external auditors; and (C) other material written communications between the external auditors and management;
- (d) following completion of the annual audit, review with each of management and the external auditors, any significant issues, concerns or difficulties encountered during the course of the audit;
- (e) resolve disagreements between management and the external auditors regarding financial reporting;
- (f) review the interim quarterly and annual financial statements and annual and interim press releases prior to the release of earnings information; and
- (g) review and be satisfied that adequate procedures are in place for the review of the public disclosure of financial information by the Corporation extracted or derived from the Corporation's financial statements, other than the disclosure referred to in (f), and periodically assess the adequacy of those procedures.

## **2. External auditors**

The Audit Committee shall:

- (a) require the external auditors to report directly to the Audit Committee;
- (b) be directly responsible for the selection, nomination, compensation, retention, termination and oversight of the work of the Corporation's external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, and in such regard recommend to the Board the external auditors to be nominated for approval by the shareholders;
- (c) approve all audit engagements and must pre-approve the provision by the external auditors of all non-audit services, including fees and terms for all audit engagements and non-audit engagements, and in such regard the Audit Committee may establish the types of non-audit services the external auditors shall be prohibited from providing and shall establish the types of audit, audit related and

non-audit services for which the Audit Committee will retain the external auditors. The Audit Committee may delegate to one or more of its members the authority to pre-approve non-audit services, provided that any such delegated pre-approval shall be exercised in accordance with the types of particular non-audit services authorized by the Audit Committee to be provided by the external auditor and the exercise of such delegated pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting following such pre-approval;

- (d) review and approve the Corporation's policies for the hiring of partners and employees and former partners and employees of the external auditors;
- (e) consider, assess and report to the Board with regard to the independence and performance of the external auditors; and
- (f) request and review the audit plan of the external auditors as well as a report by the external auditors to be submitted at least annually regarding: (i) the external auditing firm's internal quality-control procedures; (ii) any material issues raised by the external auditor's own most recent internal quality-control review or peer review of the auditing firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues.

### **3. Accounting Systems and Internal Controls**

The Audit Committee shall:

- (a) oversee management's design and implementation of and reporting on internal controls. The Audit Committee shall also receive and review reports from management, the internal auditors and the external auditors on an annual basis with regard to the reliability and effective operation of the Corporation's accounting system and internal controls; and
- (b) review annually the activities, organization and qualifications of the internal auditors and discuss with the external auditors the responsibilities, budget and staffing of the internal audit function.

### **4. Legal and Regulatory Requirements**

The Audit Committee shall:

- (a) receive and review timely analysis by management of significant issues relating to public disclosure and reporting;
- (b) review, prior to finalization, periodic public disclosure documents containing financial information, including the Management's Discussion and Analysis and Annual Information Form, if required;
- (c) prepare the report of the Audit Committee required to be included in the Corporation's periodic filings;
- (d) review with the Corporation's counsel legal compliance matters, significant litigation and other legal matters that could have a significant impact on the Corporation's financial statements; and
- (e) assist the Board in the oversight of compliance with legal and regulatory requirements and review with legal counsel the adequacy and effectiveness of the Corporation's procedures to ensure compliance with legal and regulatory responsibilities.

### **5. Additional Responsibilities**

The Audit Committee shall:

- (a) discuss policies with the external auditor and management with respect to risk assessment and risk management;
- (b) establish procedures and policies for the following:
  - (i) the receipt, retention, treatment and resolution of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
  - (ii) the confidential, anonymous submission by directors or employees of the Corporation of concerns regarding questionable accounting or auditing matters or any potential violations of legal or regulatory provisions;
- (c) prepare and review with the Board an annual performance evaluation of the Audit Committee;
- (d) report regularly to the Board, including with regard to matters such as the quality or integrity of the Corporation's financial statements, compliance with legal or regulatory requirements and the performance and independence of the external auditors; and
- (e) review and reassess the adequacy of the Audit Committee's Charter on an annual basis.

#### **6. Limitation on the Oversight Role of the Audit Committee**

Nothing in this Charter is intended, or may be construed, to impose on any member of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject.

Each member of the Audit Committee shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Corporation from whom he or she receives financial and other information, and the accuracy of the information provided to the Corporation by such persons or organizations.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles in Canada and applicable rules and regulations. These are the responsibility of management and the external auditors.

Approved by the Board