

TORONTO, ONTARIO--(Marketwired - Aug 25, 2016) - [Kerr Mines Inc.](#) ("Kerr" or the "Company") (TSX:KER) is pleased to announce that it has entered into a series of agreements with various creditors in an effort to improve the Company's financial position. The agreements are consistent with the Company's previously disclosed strategy to enter into negotiations to reduce and restructure amounts owing and to address working capital deficiency.

"With the strong support and long-term commitment from our board of directors, we have made considerable progress at improving our financial position and attracting new investors," said Chris Hopkins, Interim President and CEO. "Our strengthened financial position now paves the way for us to implement the next phase of our strategy and re-start production at Copperstone, while capitalizing on improving gold and equity markets."

Highlights of the Restructuring Transactions and Agreements:

- Net current working capital will improve by \$21.5 million.
- The total value of the debt restructuring is \$9.2 million or 75% of the Company's outstanding debt.
- The agreements include settlement of debt for less than face value, conversion of debt to common shares of the Company (the "Common Shares") and conversion of short-term debt facilities to long-term debt facilities.
- The restructuring transactions replace current liabilities with new long-term debt with maturities ranging from 24 to 36 months.
- The company has a new debt facility with access to \$2 million.
- Subject to the final approval required by the Toronto Stock Exchange ("TSX") and shareholder approval, 62,497,914 Common Shares will have been or will be issued pursuant to all of the above noted transactions. This will bring the total issued and outstanding Common Shares of the Company to 190,968,865.

Transaction Details

Further to the Company's press release of July 11, 2016, the Company has now reached total settlement agreements with trade creditors and certain debt holders representing C\$9.2 million of C\$12.2 million outstanding. The total amount of cash, common stock and future consideration paid in settling these debts is C\$2.5 million which includes the issuance of 6,997,914 million common shares. The transactions are further described in detail below.

More specifically, the Company has reached debt-restructuring agreements with Trans Oceanic Minerals Company Ltd ("Trans Oceanic"), a company controlled by Fahad Al Tamimi, Kerr's Chairman of the Board, a shareholder and creditor of Kerr, and the Company has reached debt-restructuring agreements with Braydon Capital Corporation ("Braydon"), a company controlled by Claudio Ciavarella, a director, shareholder and creditor of Kerr. The following summarizes the agreements reached between the parties:

- Trans Oceanic has elected to convert the entire C\$1,350,000 of principal outstanding pursuant to a previously issued convertible promissory in December 2015 into 27,000,000 common shares in the capital of the Company (the "TOCML Debt Conversion");
- Trans Oceanic has agreed to amend both the NEMI note (See March 4th, 2016 press release) and the March 2016 grid promissory note (See March 11th, 2016 press release) to have a maturity date of three (3) years from the date of issuance of these amended notes and a revised interest rate of 8%. As at June 30, 2016, the NEMI note had a balance of \$2,871,000 and the March 2016 note had a balance of \$1,331,000, both of which will now be classified as long term debt;
- Trans Oceanic has agreed to settle certain liabilities related to the restructuring initiatives incurred by Trans Oceanic and payable by Kerr of \$1,576,318 in exchange for 10,000,000 Common Shares of the Company issued to Trans Oceanic (the "TOMCL Private Placement");
- Braydon has agreed to waive interest owing pursuant to a previously issued promissory note (the "Braydon Note") outstanding as of June 30, 2016 totalling \$1,753,292;
- Braydon agreed to convert C\$1,500,000 of principal outstanding under the Braydon Note into 18,500,000 Common Shares (the "Braydon Private Placement");
- Braydon agreed to amend its residual debt of \$3,609,763 under the Braydon Note to have a maturity date of three (3) years from the date of issuance of the amended Braydon Note and a revised interest rate of 8%;
- Braydon and Trans Oceanic have each agreed to provide the Company with a long term debt facility of C\$1,000,000 bearing interest at 8% and having a maturity date two (2) years from the date of issuance (the "Long Term Notes"). The Long Term Notes will provide Kerr with access to C\$2,000,000 to meet its on-going working capital requirements, short term obligations and the payment of settlement amounts to various creditors. Kerr has drawn \$1,000,000 against these facilities to date.

Kerr further announces that it has closed its previously announced (press release of July 11, 2016) debt settlement and entered into debt conversion agreements with various creditors, pursuant to which the Company has settled an aggregate of approximately \$3.8 million of indebtedness of Kerr through current and future consideration and the issuance of an aggregate of 5,997,914 Common Shares at a prices between C\$0.157 and C\$0.216 per Common Share. Completion of the transaction remains subject to final acceptance of the TSX.

Private Placements Requiring Shareholder Approval

Pursuant to the policies of the TSX the Company the following is a detailed description of the TOMCL Private Placement,

Braydon Private Placement and Morgan Settlement (as defined below), which are all private placements requiring shareholder approval.

TOMCL Private Placement

The TOMCL Private Placement involves the issuance of 10,000,000 Common Shares at a price of \$0.158 per common share in connection with the settlement of \$1,576,318 owing to Trans Oceanic in connection with amounts incurred by TOMCL with respect to the restructuring efforts of the Company up to June 30, 2016. Trans Oceanic is a company controlled and owned by Fahad Al Tamimi who is a director and Chairman of the Company and non-arm's length to the Company. The price of \$0.158 per Common Share represents a premium of approximately 26% to the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding July 26, 2016 which is the date of filing notice of the TOMCL Private Placement with the TSX. The Common Shares will be subject to a hold period of four (4) months from the closing of the TOMCL Private Placement.

The maximum number of Common Shares which could be issued in connection with the TOMCL Private Placement would be 10,000,000 Common Shares. This would represent approximately 7.8% of the issued and outstanding Common Shares of the Company as of the date of the notice to the TSX.

The completion of the TOMCL Private Placement alone will not "materially affect control" (as that term is defined in the policies of the TSX) of the Company, however, the issuance of the Common Shares pursuant to the TOMCL Private Placement along with the issuance of the 27,000,000 Common Shares to Trans Oceanic pursuant to the TOMCL Debt Conversion, will "materially affect control" of the Company. Currently Trans Oceanic owns 9,381,333 Common Shares or approximately 7% of the issued and outstanding Common Shares. Following completion of the TOMCL Private Placement and Debt Conversion, Trans Oceanic will own 46,381,333 Common Shares representing approximately 24.3% of the issued and outstanding Common Shares of the Company following the completion of the transaction described herein. The shareholders of the Company at the annual and special meeting held on June 30, 2016 previously approved a resolution that recognized and accepted that the issuance of the Common Shares pursuant to the TOMCL Debt Conversion could result in a material effect on control of the Company.

Braydon Private Placement

The Braydon Private Placement involves the issuance of 18,500,000 Common Shares at a price of \$0.081 per common share in connection with the settlement of \$1,500,000 of principal owing to Braydon, a company controlled and owned by Claudio Ciavarella who is a director of the Company and non-arm's length to the Company, pursuant to the previously issued Braydon Note. The price of \$0.081 per Common Share represented a discount of approximately 29.3% to the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding August 22, 2016 which is the date of filing notice of the Braydon Private Placement with the TSX. The Common Shares will be subject to a hold period of four (4) months from the closing of the Braydon Private Placement. Additionally, Braydon has agreed to waive all of the interest owed to Braydon under the Braydon Note as of June 30, 2016.

The maximum number of Common Shares which could be issued in connection with the Braydon Private Placement would be 18,500,000 Common Shares. This would represent 14.4% of the issued and outstanding Common Shares of the Company as of the date of the notice to the TSX.

The completion of the Braydon Private Placement will not "materially affect control" (as that term is defined in the policies of the TSX) of the Company. Currently Braydon, together with its associates and affiliates, owns 6,384,099 Common Shares or approximately 4.7% of the issued and outstanding Common Shares. Following completion of the Braydon Private Placement, Braydon and its associates and affiliates will collectively own 24,884,099 Common Shares representing approximately 13% of the issued and outstanding Common Shares of the Company following the completion of the transaction described herein.

Morgan Settlement

In addition, the Company has entered into a settlement agreement with Todd Morgan ("Morgan") to settle an aggregate of \$513,515.53 of indebtedness through the issuance of 1,000,000 Common Shares at a deemed price of \$0.4135 per Common Share (the "Settlement Shares") and the payment of C\$100,000 upon completion of a future financing of the Company (the "Morgan Settlement"). If the volume weighted average price of the Settlement Shares ("VWAP") is not equal to or greater than CDN\$0.4135 within twelve (12) months following issuance of the Settlement Shares, the Company will, at the option of the Company, make up the difference between the VWAP multiplied by 1,000,000 and \$413,515.53 (the "Payment Differential") by either: (A) issuing such number of Common Shares to the creditor having a value equal to the Payment Differential; or (B) making a cash payment to the creditor equal to the Payment Differential (the "Make-Up Provision"). The price of \$0.4135 per Common Share represents a premium of approximately 213% to the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding August 3, 2016 which is the date of filing notice of the Morgan Settlement with the TSX. Morgan is arm's length to the Company and the Common Shares issued pursuant to the Morgan Settlement are subject to a hold period of four (4) months from the closing of the private placement.

The maximum number of Common Shares, including the Common Shares approved by the TSX with respect to the Make-Up

Provision, being 4,176,925 Common Shares, would represent approximately 3.1% of the issued and outstanding Common Shares of the Company as of the date of the notice to the TSX. There is a possibility that additional Common Shares may be issued over and above the 4,176,925 Common Shares noted above and in this regard any additional Common Shares in excess of the aggregate 4,176,925 Common Shares that are required to be issued pursuant to the Make-Up Provision will require further TSX approval.

The completion of the settlement in connection with the Morgan Settlement will not "materially affect control" (as that term is defined in the policies of the TSX) of the Company.

TSX Shareholder Approval Requirements

Section 607(g)(ii) of the TSX Company Manual provides that the TSX requires securityholder approval for private placements to insiders during any six month period that are for listed securities, or rights or entitlements to listed securities, greater than 10% of the number of securities of the issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the first private placement to that insider during the six-month period. The proposed share issuance with respect to the Braydon Private Placement and the TOMCL Private Placement will result in insiders collectively being issued more than 10% over a six month period. Further, Section 607(g) of the TSX Company Manual provides that the TSX requires securityholder approval for private placements to for an aggregate number of listed securities issuable greater than 25% of the number of securities of the Company which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction. Section 607(f)(v) of the TSX Company Manual aggregates private placements for the purposes of Section 607(g)(i) if they are within three (3) preceding months and have a common use of proceeds. The Company has or expects to issue 62,497,914 Common Shares in connection with certain private placements closing on or preceding the 3 months from the intended closing of each of the Private Placements. This represents approximately 46.5% of the current issued and outstanding Common Shares of the Company. Lastly, Section 607(e) of the TSX Company Manual provides that the TSX requires securityholder approval for private placements at a price per security less than the allowable discounted market price. At the time of notice to the TSX the price of \$0.081 per Common Share with respect to the share issuance for the Braydon Private Placement represented a discount of approximately 29.3% to the volume weighted average trading price of the Common Shares on the TSX which accordingly requires the Company to obtain securityholder approval to approve the pricing as the discounted pricing is not within the allowable pricing pursuant to the TSX Company Manual.

Immediately following completion of the Braydon Private Placement, the Company expects that Braydon, together with its affiliates and associates, will own approximately 13.0% of the issued and outstanding Common Shares. Claudio Ciavarella, the controlling shareholder of Braydon, is currently an insider of the Company by virtue of being a director of the Company. In addition, immediately following completion of the TOMCL Private Placement, the Company expects that Trans Oceanic, will own approximately 24.3% of the issued and outstanding Common Shares. Mr. Fahad Tamimi, the controlling shareholder of Trans Oceanic, is currently an insider of the Company by virtue of being a director and Chairman of the Company. According to the policies of the TSX and as a TSX condition to acceptance of each of the Braydon Private Placement, TOMCL Private Placement and the Morgan Settlement, the TSX requires that the Company obtain disinterested shareholder approval of each of the private placements. "Disinterested shareholder approval" means that the votes attached to the Common Shares held by Braydon, and its respective associates and affiliates, cannot be accepted for voting on the Braydon Private Placement, and the votes attached to the Common Shares held by Trans Oceanic, and its respective associates and affiliates, cannot be accepted for voting on the TOMCL Private Placement and the Common Shares held by Todd Morgan, and his respective associates and affiliates, cannot be accepted for voting on the issuance of Common Shares in connection with the Morgan Settlement.

Accordingly, the 6,384,099 Common Shares currently held by Braydon and its associates and affiliates, which represents 4.7% of the current issued and outstanding Common Shares, will be excluded from the vote to approve the Braydon Private Placement, the 9,381,333 Common Shares currently held by Trans Oceanic and its associates and affiliates, which represents 7% of the current issued and outstanding Common Shares, will be excluded from the vote to approve the TOMCL Private Placement, and the 380,000 Common Shares currently held by Morgan and his associates and affiliates, which represents 0.28% of the current issued and outstanding Common Shares, will be excluded from the vote to approve the Morgan Settlement.

The Company is seeking the disinterested shareholder approval by way of a written consent in lieu of a shareholders meeting and accordingly the private placements remain subject to disinterested shareholder approval. The TOMCL Private Placement, Braydon Private Placement and the Morgan Settlement have all been conditionally approved by the TSX but remain subject to final approval from the TSX.

This news release contains forward-looking statements, including current expectations on the timing of the commencement of production and the rate of production, if commenced. These forward-looking statements entail various risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Such statements are based on current expectations, are subject to a number of uncertainties and risks, and actual results may differ materially from those contained in such statements. These uncertainties and risks include, but are not limited to, the strength of the Canadian economy; the price of gold; operational, funding, and liquidity risks; the degree to which mineral resource estimates are reflective of actual mineral resources; and the degree to which factors which would make a mineral deposit commercially viable are present; the risks and hazards associated with underground operations. Risks and uncertainties about Kerr Mines' business are more fully discussed in the company's disclosure materials, including its annual information form and MD&A, filed with the securities regulatory authorities in Canada and available at www.sedar.com and readers are urged to read these materials. Kerr Mines assumes no obligation to update any forward-looking statement or to update the reasons why actual results could differ

from such statements unless required by law.

No stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained herein.

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