

Kerr Mines Releases Highlights From Pre-Feasibility Study: 40% IRR, Updated Resource and Production in 2019

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TORONTO, April 10, 2018 (GLOBE NEWSWIRE) -- [Kerr Mines Inc.](#) (TSX:KER) (OTC:KERMF) (FRA:7AZ1) ("Kerr" or the "Company") is pleased to announce the results of the independent Pre-Feasibility study ("PFS", "Study") and resource update prepared by Hard Rock Consulting, LLC in accordance with National Instrument 43-101 ("NI 43-101") for its past producing Copperstone Mine in Arizona, USA. On the momentum of a very successful 2017 Phase I exploration program and this PFS, the Company is pleased to confirm updated gold resources and positive economics at the Company's Copperstone Mine in Arizona.

Block flow sheet

Project Development Milestones

Copperstone PFS Highlights (all values US\$ unless otherwise noted):

- Base case \$1,250/oz gold;
- Initial capital of \$22.7 million which includes a mine equipment capital lease;
- Study life operating margin (EBITDA) of \$89M, Internal rate of return of 40%;
- Payback of initial capital within 2.3 years of 2019 production start;
- Recovery of gold averaging 95% using crushing, grinding and whole ore leach;
- Average annual sales of 38,347 ounces gold;
- Cash Operating Cost of \$684 per gold ounce;
- All-in Sustaining Cost ("AISC") of \$875 per gold ounce;
- Measured and Indicated ("M&I") Mineral Resources of 1,124,800 tonnes averaging 7.63 g/tonne gold;
- 276,100 ounces contained gold in M&I Resource;
- Inferred Mineral Resources of 666,000 tonnes averaging 6.81 g/tonne gold;
- 145,700 ounces contained gold in Inferred;
- Proven and Probable ("P&P") Mineral Reserves of 802,048 tonnes averaging 6.79 g/tonne gold;
- 175,093 ounces contained gold in P&P Reserve;
- M&I gold resources ounces, which are not part of the P&P reserve ounces, are targeted for potential inclusion in the P&P reserves through recommended future drilling;
- Inferred gold resources are open for further expansion and conversion through recommended future drilling in the Copperstone and Footwall zones.

"The results of this PFS display the strong near-term production opportunity for the Copperstone Mine and robust returns for our investors. This is just the beginning," says Martin Kostuik, President. "The impressive exploration upside displayed by the 2017 Phase I program, the historical production of over 500,000 gold ounces and the potential to generate solid positive cash flows by identifying the first four years of gold production, all point toward the opportunity of many more years, beyond the Study timeframe, of profitable production. In fact, there are 100,000 gold ounces of M&I mineral resources that were not included in the P&P mineral resources, part of which are immediately accessible for drilling and potential inclusion." Kostuik continued, "Our intention is to finance the initial capital through corporate debt. We are currently engaged in discussions focused on non-dilutive financing options with several lending groups to finalize our forthcoming production decision. Furthermore, we shall continue our efforts to enhance shareholder value by pursuing other value-adding activities such as conducting an intense 2018 exploration

program which is designed to increase mine life”

Geology and Mineral Resource Estimate

The updated Mineral Resource Estimate was developed by Hard Rock Consulting, LLC (“HRC”). In order to support the mineral resource estimate, Kerr completed over 8,100 meters of infill and step-out drilling in the summer and fall of 2017.

The Copperstone deposit is a mid-Tertiary, detachment fault related gold deposit. Mineralization is predominantly controlled by the northwest trending shallow angle Copperstone fault and shear zone. These structures are not confined to any lithologic unit, although the majority of the mineralization is hosted in quartz latite porphyry. Breccia textures as well as chloritization, silicification, and hematite and specularite flooding are reliable indications of gold mineralisation.

On February 24th, 2018, HRC completed an updated mineral resource estimate. The last NI 43-101 resource report on the Copperstone Project was released in 2011, the estimate used a gold capping grade of 5 troy ounces per short ton and was dominated primarily by gold grades. In order to support the mineral resource update, Kerr completed over 8,100 meters of infill and step-out drilling in the summer and fall of 2017. Since the 2011 report, the drillhole database includes 9,062 additional meters and an additional 5,552 gold grade determinations. HRC applied a more aggressive and restrictive capping analysis resulting in a more conservative model than previous estimates.

The drill hole database was vetted to identify missing values, duplicate records, interval overlap errors, from-to data exceeding maximum collar depth, and special (i.e. non-numeric or less than zero) values. Errors identified by the mechanical audit were reviewed with Kerr staff and resolved prior to modelling and calculation of the mineral resource estimate. In addition, 665 holes of historic core drill logs totaling 83,265 meters were re-interpreted for alteration and digitized for inclusion into the 2017 resource estimate program database. A random manual check of 10% of the assay database against original certificates was conducted by HRC. The error rate within the database is considered to be less than 1% based on the number of samples spot checked. Identified errors were corrected prior to modelling and calculation of the mineral resource estimate.

Gold grades were constrained within estimation domains modelled with 3D wireframe solids. Estimation domains follow the overall northwest, shallowly dipping structural trends, and were defined by drillhole interval selections of gold grades greater than or equal to 3.43 g/tonne (0.100 troy ounces per short ton, “oz/ton”). Domains were reviewed in 3D to ensure the models agree with the overall geologic interpretation and maintained continuity along strike and down dip. Samples were composited inside estimation domains to a target length of 1.5 meters. Composite gold grades within each domain were reviewed for statistically high outliers, which were then constrained and capped. The capping analysis considered each domain separately and a global gold cap was not used. Semi-variograms from composites were used to inform the search ellipse. Densities were determined inside and outside estimation domains by lithology from drill core.

Of 959 drill holes included in the mineral resource estimate, 716 drillholes intersected mineralised domains. 2,748 composites were used to interpolate grade into 6.1 x 6.1 x 1.5-meter (20 x 20 x 5 feet) blocks rotated and oriented along strike and down dip and sub-blocked to a minimum block size 6.1 x 1.5 x 0.3 meters (20 x 5 x 1 feet) using an ordinary kriging algorithm. Blocks mined out by open pit and underground operations were removed from the resource estimate.

HRC concludes that the sample preparation, security and analytical procedures are appropriate and adequate for the purpose of this Technical Report. The sample methods and density are appropriate, and the samples are of sufficient quality to comprise a representative, unbiased database.

Zachary J. Black, SME-RM, a Resource Geologist with HRC is responsible for the mineral resource estimate presented herein. Estimated blocks were classified as either Measured, Indicated, or Inferred, in accordance with CIM definition standards adopted by CIM Counsel on May 10, 2014, based on the minimum distance from composites to the block, the number of composites used to estimate a block, and the geologic/geospatial support for the domain. The mineral resources are confined of material exceeding the cut-off grade of 3.43 g/tonne (0.100 oz/ton) within coherent wireframe models. The cutoff is based on the

following assumptions: a long-term gold price of \$1,375/oz; assumed mining cost of \$74/ton, process costs of \$40/ton, general and administrative and property/severance tax costs of \$14/ton, refining costs of \$4.65/oz and metallurgical recovery for gold of 95%.

Mineral Resource Classification	Tonnes ('000's)	Tons ('000's)	Gold Grade		Contained Gold ('000 oz)
			grams/tonne	oz/ton	
Measured	478.1	527.0	8.33	0.243	128.0
Indicated	646.7	712.9	7.12	0.208	148.0
Measured + Indicated	1,124.8	1,239.8	7.63	0.223	276.1
Inferred	666.0	734.1	6.81	0.198	145.7

1. The effective date of the Mineral Resource estimate is April 1st, 2018. The QP for the estimate is Mr. Zachary J. Black, SME-RM of Hard Rock Consulting, LLC. and is independent of [Kerr Mines Inc.](#)
2. Mineral Resources are quoted inclusive of Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Due to the uncertainty that may be attached to Inferred Mineral Resources, it cannot be assumed that all or any part of an Inferred Mineral Resource will be upgraded to an Indicated or Measured Mineral Resource as a result of continued exploration.
3. Mineral resource is reported at an underground mining cutoff of 0.100 oz/ton Au beneath the historic open pit and within coherent wireframe models. The cutoff is based on the following assumptions: a long-term gold price of \$1,375/oz; assumed mining cost of \$74/ton, process costs of \$40/ton, general and administrative and property/severance tax costs of \$14/ton, refining costs of \$4.65/oz and metallurgical recovery for gold of 95%.
4. Rounding may result in apparent differences when summing tonnes, grade and contained metal content. Tonnage and grade measurements are in imperial and metric units. Grades are reported in troy ounces per short ton and in grams per tonne.

Mine Plan and Mineral Reserves

A detailed mine plan was engineered using only Measured & Indicated Resources. Mechanized overhead cut and fill was chosen as the preferred mining method. Datamine's® Minable Stope Optimizer (MSO) was used to generate the stopes utilizing a metal price of \$1,250/oz for gold and a 3.77 g/tonne (0.111 oz/ton) gold cutoff.

The mine plan for the Project includes approximately 802,000 tonnes of ore grade material to be extracted by underground mining in 4.4 years. The mine production schedule calls for ore production of 544 tonnes per day and 762 tonnes of ore processed per mill working day, 5 days per week. Mining recoveries of 95% were applied and overall dilution factors averaged 25.3%. Dilution factors are calculated based on internal stope dilution calculations and external dilution factors of 10%. The Table below presents the annual mining schedule based on these assumptions. Due to the historic underground mining that has taken place on the property in 2012 and 2013 and the exploration drift put in by Kerr in the summer of 2017 there is a reduced amount of development required to get the mine up to full production.

Production Schedule	Study Totals	Year -1	Year 1	Year 2	Year 3	Year 4	Year 5
MINE PRODUCTION							
Ore Mined (tonnes)	802,048	52,089	207,331	219,449	170,688	144,070	8,421
Au Grade (g/tonne)	6.79	7.22	6.70	6.86	6.63	6.83	6.82
Mine Development (meters)	13,295	1,002	5,153	3,613	1,940	1,476	111
Development Waste (tonnes)	487,159	40,203	202,717	139,695	57,501	43,750	3,292
Total Tonnes Mined	1,289,207	92,292	410,047	359,145	228,189	187,821	11,713

Dr. Dermot Ross-Brown from Tierra Group International, Ltd completed a review of the past geotechnical studies and visited the current underground workings in order to provide an estimate of the required ground support and maximum opening sizes for the mine plan. Main ramp development headings are planned at 4.2m x 4.2m, ore access drifts are planned at 3.7m x 3m and stope heights are planned at 3.7m with a maximum width of 4.9m.

In order to select the preferred mining method, several trade-offs were conducted as part of the pre-feasibility study. The results are summarized below:

- Mining Method – The Copperstone orebody is relatively flat with an average dip of 38 degrees. Although there are some areas where the ore will flow, above a 45-degree dip, the majority of the deposit is too flat to facilitate a long hole mining method. Mining costs comparisons were completed on mechanized overhand cut and fill versus conventional overhand cut and fill utilizing slushers and hydraulic backfill. Although the conventional cut and fill reduces the required development costs versus the mechanized method, the savings were not enough to offset the higher operating costs. As a result, mechanized cut and fill was chosen as the preferred option. Mining utilizing the Shallow Angle Mining System – (“SAMS™”;) was also evaluated as an option. Although mining utilizing SAMS is currently being tested at a mining site in Canada, further geotechnical and hydraulic backfill evaluations for Copperstone must be completed and were beyond the scope of this Study. These factors resulted in not choosing SAMS for the Study.
- Backfill Method – Patterson and Cooke assisted in developing costs for utilizing cemented hydraulic backfill (“CHF”;) generated from the mill tailings versus cemented rock fill (“CRF”). By utilizing CHF from the mill tailings, the Phase 2 lift of the tailings dam will not be required providing a future capital cost savings for CHF. Although the CRF option will require additional backfill sourced from the waste fill located within the open pit, the capital cost and infrastructure for the CHF plant were too high to offset the higher operating costs of the CRF option. Based on these results, CRF was chosen for the mine plan backfill strategy.
- Operations Strategy - Contract versus owner mining was also evaluated based on contractor mining quotes using their own equipment and owner mining with quotes for purchasing new mining equipment. The owner mining scenario was found to be the most cost-effective option. Owner mining was also evaluated using purchased mining equipment versus capital leased equipment. Purchase and lease rates were provided and the equipment lease option results in an increase for IRR from 34% to 40%. The capital lease of the mining equipment was chosen as the preferred option.

Mr. Jeffery Choquette, P.E., MMSA QP Member, of HRC is responsible for the mineral reserve estimate presented herein. The Proven and Probable mineral reserves for the Study as of April 1st, 2018 are summarized in the Table below.

Mineral Reserve Classification	Tonnes ('000's)	Tons ('000's)	Diluted grams/tonne	Gold Grade oz/ton	Contained Gold ('000 oz)
Proven	346.7	382.2	7.30	0.213	81.4
Probable	455.4	501.9	6.40	0.187	93.7
Total Proven + Probable	802.0	884.1	6.79	0.198	175.1

1. The effective date of the Mineral Reserve estimate is April 1st, 2018. The QP for the estimate is Mr. Jeffery Choquette P.E. of Hard Rock Consulting, LLC. and is independent of [Kerr Mines Inc.](#)
2. The Mineral Reserve estimates were prepared with reference to the 2014 Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards (2014 CIM Definition Standards) and the 2003 CIM Best Practice Guidelines.
3. Mineral Reserves are reported within the mine stope designs at an underground mining cutoff of 0.111 oz/ton. The cutoff is based on the following assumptions: a long-term gold price of \$1,250/oz; assumed mining cost of \$74/ton, process costs of \$40/ton, general and administrative and tax costs of \$14/ton, refining costs of \$4.65/oz and metallurgical recovery for gold of 95%.
4. Mining recoveries of 95% were applied. Overall dilution factors averaged 25.3%, dilution factors are calculated based on internal stope dilution calculations and external dilution factors of 10% for cut and fill mining.
5. Rounding may result in apparent differences when summing tonnes, grade and contained metal content. Tonnage and grade measurements are in imperial and metric units. Grades are reported in troy ounces per short ton and in grams per tonne.

Processing

Kerr Mines and HRC contracted Resource Development Inc (RDI) who provided new metallurgical testing of the Copperstone deposit, confirmed prior metallurgical testwork and economically evaluated processing options. Metallurgical test work focused on the A, B, C, and D zones of the Copperstone Zone. Testing also confirmed bond work indexes, abrasion and density values. The production and sale of a doré bar versus sale of a gold concentrate has much lower offtake costs. Listed below is a description and results for three processing options:

Flotation Producing a Concentrate: This is the approach taken by the previous operators. The flotation

concentrate is estimated to assay \pm 500 g/tonne Au and would be sold to a broker or smelter. A marketing study is needed to determine the marketability and cost of sales for this grade of gold concentrate. The flotation circuit would consist of rougher flotation followed by two stages of cleaners to produce the required grade of concentrate. This confirms historical testwork and production results. Recoveries for gold from flotation for high grade saleable concentrate averaged 88%.

Flotation and Cyanide Leach of the Concentrate: The objective of this process is to produce a rougher concentrate maximizing recovery of gold, then leach the concentrate and produce a doré bar. Recoveries for gold from flotation concentrate produced for final leach averaged 90%. Testing for final recovery of gold from leaching the flotation concentrate is inconclusive and further testing is required.

Whole Ore Leach: WOL utilizes direct cyanidation leaching of the entire ore feed. This option also includes the production of a doré bar. WOL resulted in gold extraction of 88% to 97%. There exists an opportunity to decrease the Processing Cash Operating cost below the Study results with further cyanide consumption testwork, which is in progress.

WOL of Copperstone ore exhibits the highest operating costs of the three options but the increase in recoveries and elimination of concentrate smelter charges make this option economically superior. In addition, the existing processing plant will be simplified by eliminating both the coarse gold circuit and one of the mills. WOL leach was chosen as the base case processing scenario for the Study. The block flow sheet is shown below.

A photo accompanying this announcement is available at <http://resource.globenewswire.com/Resource/Download/2d81a247-51f9-410e-8fab-ffba1554a736>

Copper may be a by-product of mining economic gold ores and extracting the copper during the processing of the economic gold ore at the Copperstone Mine is at the early stages of being evaluated. The economics of monetizing copper as a by-product are potentially attractive as the cash costs of production are shared with the cash cost of producing the primary product – gold. Further exploration drilling, assaying and modelling work of copper bearing gold ore is required. Metallurgical testing for the economic extraction of copper is ongoing, but currently incomplete, and further testing is required. Copper may be incorporated into a compliant mineral resource dependent upon favorable metallurgical results, and a complete review of copper data for adequacy.

Project Case Economic Results

The Project Case for the Study includes mine mobile equipment financing costs with no financing cost applied to the remaining Initial Capital. Capital costs were developed for the plant upgrade, infrastructure needs, and mining. The table below shows the estimated initial capital costs for the upgrade and restart of the Copperstone Mine using the optimal project case of a WOL processing scheme and owner operated mining, with an equipment capital lease for mine equipment financing. The capital costs reflect the in-place infrastructure, buildings, and equipment which is a beneficial aspect of the Copperstone Mine.

Initial Capital	\$USM
Mine	5.99
Mine Development & Infill Drilling	5.38
Mill Upgrades	3.52
Indirects, EPCM, Owners Cost	4.02
Contingency	3.83
Total Initial Capital	22.74

The capital lease for the mining equipment is based on a major equipment manufacturer's quote which includes a 3-year term at 10% interest and a 25% down payment. For this option, principal and interest payments reduce cash required from initial financing activity and gross capital costs are booked as assets on the balance sheet.

Economic analysis of the Project case uses a 3.77 gold g/tonne (0.111 oz/ton) cut-off grade and a gold price of US\$1,250/oz, which is the 36-month trailing average price and \$50/oz less than the closing spot price at the end of December 2017. The tables below summarize the results.

Before Tax		After Tax
\$USM 19.12	Net Present Value (10.0%)	\$USM 17.91
% 41.7	% Internal Rate of Return	% 40.1 %
Yrs 2.26	Payback Period	Yrs 2.27

	Study Totals	Year -2	Year -1	Year 1	Year 2	Year 3
Gold Ounces in Doré	oz 166,172		7,349	38,790	39,939	38,722
Gross Revenue	\$US 207,714,250		9,186,375	48,487,000	49,923,625	48,402,250
Cash Operating Costs	\$US (113,665,069)		(4,615,312)	(28,769,608)	(27,427,293)	(26,210,707)
Royalties	\$US (4,154,287)		(183,728)	(969,740)	(998,473)	(968,045)
Production Taxes	\$US (816,507)		(57,138)	(164,391)	(169,687)	(187,617)
Total Operating Costs	\$US (118,635,863)		(4,856,178)	(29,903,739)	(28,595,453)	(27,366,369)
Operating Margin (EBITDA)	\$US 89,078,387		4,330,197	18,583,261	21,328,172	21,035,881
Sustaining Capital/Closure	\$US (26,235,313)	(500,000)	(1,380,499)	(13,314,127)	(8,890,011)	(4,261,740)
Site All-In Sustaining Cost*	\$US (144,871,176)	(500,000)	(6,236,677)	(43,217,866)	(37,485,464)	(31,628,109)
Investment Capital	\$US (22,737,126)	(603,670)	(22,133,457)			
Site All-In-Cost*	\$US (167,608,303)	(1,103,670)	(28,370,134)	(43,217,866)	(37,485,464)	(31,628,109)
Cash Flow, pre-Tax	\$US 40,105,947	(1,103,670)	(19,183,759)	5,269,134	12,438,161	16,774,141
Interest Expense	\$US (1,865,121)		(450,161)	(853,257)	(474,699)	(87,003)
State & Federal Income Tax	\$US (1,961,421)					(623,798)
Free Cash Flow	\$US 36,279,406	(1,103,670)	(19,633,920)	4,415,877	11,963,463	16,063,340
Cumulative Free Cash Flow	\$US	(1,103,670)	(20,737,589)	(16,321,713)	(4,358,250)	11,705,090
Study Life of Mine	Yrs 4.4					

* no corp cost

The lifespan of the project in the Study is estimated to be 5.4 years: one year of pre-production and construction, and 4.4 years of full operations. Approximately 175,093 oz of gold are projected to be mined, with 166,172 oz of gold recovered and produced for sale. An accumulated cash basis capital investment of \$48.9 million, including initial capital, contingency, sustaining capital and reclamation is projected. Following the All-In Sustaining Cost ("AISC") guidelines, Study life of mine average base case Cash Operating Cost is projected to be \$684/oz of gold sold, before credits for silver sales. The Study life of mine average Site All-in Sustaining Cost (including royalties, production taxes and sustaining capital/closure), before credits for silver sales, is expected to be \$875/oz.

LOM Average Operating Costs

	\$US/ tonne Processed	\$US/ oz Gold
Mining	84.33	407.04
Processing	39.98	192.99
Site G&A	15.45	74.61
Transportation and Refining	1.94	9.39
Cash Operating Cost	141.70	684.03
All-In Sustaining Cost	183.58	874.83

Mineral resources were incorporated in the model only if classified as Proven or Probable Reserves according to CIM definitions. A throughput of 762 tonnes per day five days per week is the base case processing rate, and operations and capital factors were developed from this basis. Recovery for gold is expected to average 95% for the Project case. Construction of the facilities is projected to conclude at the end of year -1.

The Project, like almost all precious metals projects, is very responsive to changes in the price of its chief commodity, gold. From the base case, a change in the average gold price of US\$50/oz Au would change the NPV-10 by approximately \$5 million. After-tax economic results with sensitivity to gold price below.

Gold Price\$/oz	Net Cash Flow \$M	NPV 10% \$M	IRR %	Payback Yrs	Payback Multiple
1,100	14.25	3.27	15.34	3.3	1.6
1,150	22.24	8.51	23.90	3.0	2.0
1,200	29.51	13.37	32.11	2.6	2.4
1,250	36.28	17.91	40.12	2.3	2.7
1,300	43.19	22.53	48.42	2.0	3.1
1,350	49.98	27.07	56.88	1.8	3.5
1,400	56.65	31.50	65.24	1.6	3.9

Equity Case Economic Results

The Equity case for the Study assumes no equipment financing and no financing cost for Initial Capital. The first table below shows the estimated initial capital costs for the upgrade and restart of the Copperstone Mine using the Equity model case of a WOL processing scheme and owner operated mining without mine equipment financing. The corresponding tables for this case are also below.

Initial Capital	\$USM
Mine	17.53
Mine Development & Infill Drilling	5.38
Mill Upgrades	3.52
Indirects, EPCM, Owners Cost	4.02
Contingency	3.83
Total Initial Capital	34.28

Before Tax	After Tax
\$USM 19.14	Net Present Value (10.0%) \$USM 17.78
% 35	% Internal Rate of Return 34
Yrs 2.27	Yrs 2.28

	Study Totals	Year -2	Year -1	Year 1	Year 2	Year 3
Gold Ounces in Doré	oz 166,172		7,349	38,790	39,939	38,722
Gross Revenue	\$US 207,714,250		9,186,375	48,487,000	49,923,625	48,402,250
Cash Operating Costs	\$US (113,665,069)		(4,615,312)	(28,769,608)	(27,427,293)	(26,210,707)
Royalties	\$US (4,154,287)		(183,728)	(969,740)	(998,473)	(968,045)
Production Taxes	\$US (816,507)		(57,138)	(164,391)	(169,687)	(187,617)
Total Operating Costs	\$US (118,635,863)		(4,856,178)	(29,903,739)	(28,595,453)	(27,366,369)
Operating Margin (EBITDA)	\$US 89,078,387		4,330,197	18,583,261	21,328,172	21,035,881
Sustaining Capital/Closure	\$US (14,695,063)	(500,000)		(9,698,927)	(4,896,252)	(1,710,947)
Site All-In Sustaining Cost*	\$US (133,330,926)	(500,000)	(4,856,178)	(39,602,666)	(33,491,705)	(29,077,316)
Investment Capital	\$US (34,277,376)	(603,670)	(33,673,707)			
Site All-In Cost*	\$US (167,608,303)	(1,103,670)	(38,529,885)	(39,602,666)	(33,491,705)	(29,077,316)
Cash Flow, pre-Tax	\$US 40,105,947	(1,103,670)	(29,343,510)	8,884,334	16,431,920	19,324,934
Interest Expense	\$US					
State & Federal Income Tax	\$US (2,215,684)					(878,061)
Free Cash Flow	\$US 37,890,263	(1,103,670)	(29,343,510)	8,884,334	16,431,920	18,446,873
Cumulative Free Cash Flow	\$US	(1,103,670)	(30,447,179)	(21,562,846)	(5,130,926)	13,315,947
Study Life of Mine	Yrs 4.4					

* no corp cost

LOM Average Operating Costs

	\$US/ tonne Processed	\$US/ oz Gold
Mining	84.33	407.04
Processing	39.98	192.99
Site G&A	15.45	74.61
Transportation and Refining	1.94	9.39
Cash Operating Cost	141.70	684.03
All-In Sustaining Cost	169.19	805.38

Infrastructure and Permitting

The Copperstone Mine benefits from extensive existing infrastructure development including 3,000 meters of underground development with two portals to access the underground mine from the bottom of the historic open pit mine. Supporting the underground development are electrical equipment, compressors and ventilation. Also present are a mineral processing plant with crush/grind and flotation capable of +762 tonnes per day, a tailings storage facility expandable, within existing permits, to contain the Study life of mine ore tailings; and other surface infrastructure including line power, office buildings, maintenance shop, fuel bay, wash rack, assay lab, warehouse and a dry. The entire mine-site layout is compact with the underground operations proximal to the process plant, tailings facility and site buildings.

All permits are in place for operations with the infrastructure as described above. Modifications to existing permits are underway for the Study case of WOL, and also for the ability to discharge ground water from the underground workings to a water storage/evaporation pond near the crest of the open pit.

A photo accompanying this announcement is available at <http://resource.globenewswire.com/Resource/Download/d11adb09-f555-4ee2-b371-5e0f78bb3d2c>

2018 Phase-II Exploration Program

The 2017 Phase-I exploration program was developed to provide a pathway for increasing resources in both the Copperstone and Footwall zones. The program advanced knowledge of mineralizing controls of ore zones at the Copperstone Mine and provided a pathway for adding resources by confirming mineralization, improving continuity and increasing mineralized extents along continued open trends in both the Copperstone and Footwall Zones. The 2017 program is the foundation of the PFS economics and forthcoming production decision.

Building upon the outcomes of 2017 drilling and PFS, the 2018 Phase-II exploration drilling program is aimed at increasing mine life beyond the Study mine life through upgrading and increasing resources. The objectives of the 2018 program are extension of known gold zones and addition of Inferred mineralization near existing development.

Copperstone 2018 Phase-II Drilling Plan:

- Up to 6,500 meters with the objective of upgrading Inferred tonnes to Indicated or better and to improve continuity and grade of the M&I mineral resource tonnes that were not part of the P&P mineral resource tonnes in the current resource.
- Up to 5,500 meters to test additional zones and add Inferred tonnes.
- Up to 2,000 meters for structural, geotechnical and metallurgical purposes.

Drilling location targets for additions and conversions are associated with structural, alteration and lithologic controls which have demonstrated to have significant support for mineralization. Drilling targets also include areas of magnetite skarns and replaced limestones which often demonstrate significant upside potential in near mine extents. The funding of this Phase-II program is not included in the PFS.

Qualified Persons

Qualified Person	Company	QP Responsibility/Role
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Mr. Zachary Black, RM-SME	Hard Rock Consulting, LLC	Mineral Resources
Ms. J.J. Brown, P.G.	Hard Rock Consulting, LLC	Geology, Environment Studies and Permitting
Mr. Jeffery Choquette, P.E.	Hard Rock Consulting, LLC	Mineral Reserves, Mining Methods and Economic
Mr. Deepak Malhotra, Ph.D.	Resource Development, Inc.	Mineral Processing and Plant Design
Contributing Person	Company	Responsibility/Role
Mr. Dermot Ross-Brown, Ph.D.	Tierra Group International, Ltd	Mine Geotechnical
Mr. Matt Bachman, P.E.	Paterson and Cooke	Mine Backfill Design
Mr. David Abranovic, P.E.	Environmental Resources Management	Permitting and Environmental
Mr. Scott M. Bruno, P.E.	BODEC, Inc.	Mine Electrical
Mr. Michael R. Smith, RM-SME	Geological Professional Services, LLC	Mine Ore Control and Quality Assurance, Quality

The technical information in this news release has been prepared in accordance with the Canadian regulatory requirements set out in NI 43-101 and reviewed and approved by HRC. The qualified persons responsible for preparing the Copperstone PFS are named above. All of whom act as independent consultants to the Company, are Qualified Persons as defined by National Instrument 43-101 and have reviewed and approved the contents of this new release.

HRC is a client focused consultancy comprised of a formal collaboration of industry professionals including geologists, engineers, and business advisors who offer a wealth and variety of professional experience - and a passion to gain more. As a team, HRC takes pride in our ability to apply practical solutions to real-world project challenges, whether in the field or in the office, for projects in North America and around the world. www.hardrock-consulting.com

A technical report in support of the Pre-Feasibility Study prepared in accordance with National Instrument 43-101 & Standards of Disclosure for Mineral Projects ("NI 43-101") will be filed on SEDAR (www.sedar.com) within 45 days of this news release. Readers are strongly encouraged to review the final technical report in its entirety.

About Kerr Mines Inc.

Kerr Mines is a North American gold development and exploration company currently advancing the 100% owned, fully permitted past-producing Copperstone Mine project. Copperstone is a high-grade gold project located along a detachment fault mineral belt in mining-friendly Arizona. The project demonstrates significant upside exploration potential within a 4,775-hectare (11,800 acres) land package that includes a production history of over 500,000 ounces of gold. The Company's current focus is on maximizing Copperstone's potential by defining and expanding current resources and strengthening the mine's economics leading to project financing and a production decision.

For further information contact:

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Cautionary Note Regarding Forward Looking Statements

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.

Neither TSX nor its Regulation Services Provider (as that term is defined in the policies of the TSX) accepts responsibility for the adequacy or accuracy of this release and no stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained herein.

Cautionary Note to US Investors Regarding Mineral Reporting Standards: The Company has prepared its disclosure in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of US securities laws. Terms relating to mineral resources in this press release are defined in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects under the guidelines set out in the Canadian Institute of Mining, Metallurgy, and Petroleum Standards on Mineral Resources and Mineral Reserves. The Securities and Exchange Commission (the "SEC") permits mining companies, in their filings with the SEC, to disclose only those mineral deposits that a company can economically and legally extract or produce. The Company uses certain terms, such as, "measured mineral resources", "indicated mineral resources", "inferred mineral resources" and "probable mineral reserves", that the SEC does not recognize (these terms may be used in this press release and are included in the public filings of the Company which have been filed with securities commissions or similar authorities in Canada).

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