Kerr Mines and Star Royalties Announce US$18 Million Project Financing for Restart of the Copperstone Gold Mine

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TORONTO, Nov. 12, 2020 - Kerr Mines Inc. (TSX: KER, OTC: KERMF) (“Kerr” or the “Company”) and Star Royalties Ltd. (“Star Royalties”) are very pleased to jointly announce the execution of a definitive US$18,000,000 gold purchase and sale agreement (“Streaming Agreement”) to finance the restart of underground operations and gold production at the Copperstone Gold Mine (“Copperstone”) in Arizona, USA.

Giulio T. Bonifacio, Chief Executive Officer of Kerr, stated: “This Streaming Agreement provides the required project financing to restart gold production at our Copperstone Gold Mine, which is targeted for Q4-2021. We are extremely pleased to be undertaking this financing transaction with Star Royalties, which has a seasoned team of mining professionals that will prove to be a valued partner as we advance Copperstone to production. With the extensive project evaluation undertaken by Star Royalties, we believe this streaming transaction further validates the value we have identified at Copperstone by way of our recent optimization efforts. We also note that we will be progressing the restart of operations under a whole ore leach processing scenario which will result in increased gold recoveries and production versus a floatation processing scenario.”

Alex Pernin, Chief Executive Officer of Star Royalties, commented: “We are proud to announce our partnership transaction with Kerr to advance the restart of Copperstone. We have structured a mutually beneficial streaming arrangement which should translate to a win-win outcome for both parties’ shareholders. This gold stream will provide for significant, near-term cash flow from a highly prospective deposit in a world-class jurisdiction. We look forward to the successful restart at Copperstone and to its exploration upside under Kerr’s experienced and knowledgeable management team.”

The US$18 million advance payment under the Streaming Agreement will be provided in three equal installments, with the first US$6 million installment to be advanced on the initial closing, which is expected to take place on or before November 20, 2020. The remaining two tranches will be advanced at the request of Kerr as it incurs expenditures for the restart of Copperstone Gold Mine Project with US$6 million on or before February 28, 2021 and a further US$6 million on or before April 30, 2021.

Key Transaction Terms

- Star Royalties will purchase from Kerr an amount of refined gold equal to 9.9% of gold produced at Copperstone until a cumulative 21,000 ounces of refined gold are delivered, then 3.3% of gold produced until a cumulative 27,200 ounces are delivered, and 1.2% of gold produced thereafter for the remaining life of mine;
- In addition to the US$18 million advance payment, Star Royalties will provide a cash payment to Kerr for each ounce of gold delivered equal to 25% of the average London Bullion Market Association gold spot price for the five consecutive trading days prior to delivery;
- The advance of the first tranche of US$6 million is subject to Kerr repaying the outstanding US$2 million convertible promissory note held by Sprott Private Resource Lending (Collector) LP (“Sprott”) and customary closing conditions, including implementation of the requisite security package in favour of Star Royalties; and
- As a result of the prepayment of US$2 million convertible promissory note, Sprott will not be exercising its conversion rights at CAD$0.13 for US$500,000 and CAD$0.16 for US$1.5 million, avoiding dilution to Kerr shareholders.

In connection with the entering into of Streaming Agreement, Kerr, Trans Oceanic Minerals Company Ltd. (“TOMCL”) and Braydon Capital Corporation (“Braydon”) have amended certain terms and conditions of the outstanding debt held by TOMCL and Braydon (the “Note

Amendments”) . In particular, the parties have agreed as follows:

- The maturity dates of outstanding promissory notes held by TOMCL and Braydon in the aggregate principal amount of approximately US$9.3 million will each be extended from August 22, 2021 to December 31, 2023;
- The rate of interest payable on the principal of the notes will be increased from 8% to 10%, with interest payable quarterly starting on the commencement of commercial production;
- Two CAD$1 million unconvertible promissory notes, one held by each of Braydon and TOCML, have been amended to include a conversion feature providing that the principal amount of the notes can be converted into common shares of Kerr at any time prior to maturity at a price of CAD$0.16 per share, subject to Kerr having the right of early conversion in the event the volume-weighted average trading price of the common shares exceeds CAD$0.30 for twenty consecutive trading days; and
- Kerr has also agreed to make prepayments against the principal of the notes by way of preferential payments, in certain circumstances.

The proposed amendments to the terms of the promissory notes constitute related party transactions within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holder in Special Transactions* (“MI 61-101“) as TOMCL is owned by Fahad Al Tamimi, a director of the Company and the beneficial owner of 67,956,003 common shares of the Company, or approximately 19.6% of the total issued and outstanding common shares and as Braydon is owned by Claudio Ciavarella, a director of the Company and the beneficial owner of 30,764,937 common shares of the Company, or approximately 8.9% of the total issued and outstanding common shares. The Company is relying on the exemptions from the valuation and minority shareholder approval requirements of MI 61-101 contained in sections 5.5(a) and 5.7(1)(a) of MI 61-101, as the fair market value of the transaction as it relates to each of TOCML and Braydon does not exceed 25% of the market capitalization of the Company, as determined in accordance with MI 61-101. The note amendments were approved by the independent members of the board of directors of Kerr. Kerr will be filing a material change report in respect of the Streaming Agreement and the Note Amendments less than 21 days prior to the effective date of the Note Amendments as the Note Amendments are being made in connection with the Streaming Agreement and, as such, could not be announced prior to the announcement of the Streaming Agreement.

About Star Royalties Ltd.
Star Royalties Ltd. is a growth-oriented, precious metals-focused royalty and streaming company. We pursue high-quality cash flow generation and shareholder value creation through the origination and acquisition of royalties and streams. By specializing in custom-made and operator-friendly financing solutions, our objective is to be uniquely aligned with our counterparties and to provide our investors with leverage to rising precious metal prices. We aim to become the preferred mine financing partner for producers, developers and explorers.

For more information on Star Royalties, please visit our website at starroyalties.com or contact:

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About Kerr Mines Inc.
Kerr Mines is an emerging American gold producer advancing the restart of production at its 100-per-cent-owned, fully permitted past-producing Copperstone mine project, located in mining-friendly Arizona. The Copperstone mine project demonstrates significant upside exploration potential that has yet to be drilled within a 50 square-kilometre (12,258 acres) land package that includes past production of over 500,000 ounces of gold by way of an open-pit operation. The company's current focus is on maximizing Copperstone's potential by defining and expanding current resources and further optimizing the mine's economics for purposes of the restart of production in 2021.

For further information please visit the Kerr Mines website (www.kerrmines.com).

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Cautionary Note Regarding Forward Looking Statements

Certain statements in this news release may constitute "forward-looking statements", including those regarding future market conditions for metals and minerals, the purchase and delivery of gold in connection with the Streaming Agreement, the payment of the first tranche, the second tranche and third tranche in connection with the Streaming Agreement, the entering into of a security package, the restart of Copperstone, the repayment of the Sprott loan and the prepayments against the principal of the notes by way of preferential payments, in certain circumstances. Forward-looking statements are statements that address or discuss activities, events or developments that Star Royalties and Kerr expect or anticipate may occur in the future. When used in this news release, words such as "estimates", "expects", "plans", "anticipates", "will", "believes", "intends" "should", "could", "may" and other similar terminology are intended to identify such forward-looking statements. Forward-looking statements are made based upon certain assumptions and other important factors that, if untrue, could cause the actual results, performances or achievements of Star Royalties or Kerr to be materially different from future results, performances or achievements expressed or implied by such statements. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be an accurate indication of whether or not such results will be achieved. A number of factors could cause actual results, performances or achievements to differ materially from such forward-looking statements, including, without limitation, changes in business plans and strategies, market conditions, share price, best use of available cash, the ability of Star Royalties to obtain required funds and identify and execute future acquisitions on acceptable terms or at all, risks inherent to royalty and streaming companies, title and permitting matters, metal and mineral commodity price volatility, discrepancies with respect to the estimated production of Copperstone, mineral reserves and resources and metallurgical recoveries, mining operation and development risks relating to the parties which produce the metals and minerals Star Royalties will purchase or receive payments from, regulatory restrictions, activities by governmental authorities (including changes in taxation), currency fluctuations, the global social and economic climate, natural disasters and global pandemics, dilution, and competition. These risks, as well as others, could cause actual results and events to vary significantly. Accordingly, readers should exercise caution in relying upon forward-looking statements and neither Star Royalties nor Kerr undertakes any obligation to publicly revise them to reflect subsequent events or circumstances, except as required by law.

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