



CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED OCTOBER 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
IDM Mining Ltd.

We have audited the accompanying consolidated financial statements of IDM Mining Ltd., which comprise the consolidated statements of financial position as at October 31, 2015 and 2014, and the consolidated statements of income/(loss) and comprehensive income/(loss), cash flows, and changes in equity/(deficit) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of IDM Mining Ltd. as at October 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of IDM Mining Ltd. to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

February 12, 2016

IDM MINING LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	October 31, 2015	October 31, 2014
ASSETS		
Current		
Cash	\$ 508,253	\$ 1,056,481
Short-term investments	8,625	8,625
Receivables	35,483	228,444
Prepaid expenses	<u>92,073</u>	<u>183,631</u>
	644,434	1,477,181
Land use deposits (Note 4)	50,000	50,000
Equipment (Note 5)	5,341	8,602
Exploration and evaluation assets (Note 6)	<u>6,702,072</u>	<u>5,996,930</u>
	<u>\$ 7,401,847</u>	<u>\$ 7,532,713</u>
LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)		
Current		
Accounts payable and accrued liabilities	\$ 324,952	\$ 2,221,210
Mexican mining taxes and other payables (Note 6)	1,712,420	1,807,987
Deferred flow-through premium (Note 8)	<u>161,759</u>	<u>-</u>
	2,199,131	4,029,197
Derivative liability (Note 7)	<u>-</u>	<u>4,750,000</u>
	<u>2,199,131</u>	<u>8,779,197</u>
Shareholders' equity/(deficit)		
Share capital (Note 8)	44,640,462	41,492,346
Reserves (Note 8)	7,222,291	5,174,558
Deficit	<u>(46,660,037)</u>	<u>(47,913,388)</u>
	<u>5,202,716</u>	<u>(1,246,484)</u>
	<u>\$ 7,401,847</u>	<u>\$ 7,532,713</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 15)

Approved and authorized by the Board on February 12, 2016:

"Robert McLeod" Director "Michael McPhie" Director

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

IDM MINING LTD.**CONSOLIDATED STATEMENTS OF INCOME/(LOSS) AND COMPREHENSIVE INCOME/(LOSS)**

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED OCTOBER 31,

	2015	2014
GENERAL EXPENSES		
Consulting fees	\$ 18,227	\$ 121,448
Depreciation (Note 5)	3,261	2,762
Director fees (Note 9)	23,000	27,000
Foreign exchange loss (gain)	(80,760)	34,461
Investor relations	248,624	137,534
Management fees	261,629	464,000
Office and miscellaneous	121,917	115,013
Professional fees	100,981	311,450
Property investigation costs	-	17,408
Share-based payments (Note 8)	353,287	649,619
Transfer agent and filing fees	92,953	75,014
Travel and trade shows	<u>22,209</u>	<u>50,806</u>
Loss before other items	<u>(1,165,328)</u>	<u>(2,006,515)</u>
OTHER ITEMS		
Interest income	-	1,421
Recognition of flow-through premium liability (Note 8)	130,357	339,721
Gain on settlement of derivative liability (Note 7)	2,309,648	-
Unrealized loss on derivative liability (Note 7)	-	(4,125,000)
Gain on sale of exploration and evaluation assets (Note 6)	21,500	-
Write-down of other assets (Note 6)	(42,825)	-
Write-off of exploration and evaluation assets & other (Note 6)	<u>(1)</u>	<u>(16,000,063)</u>
Income/(loss) and comprehensive income/(loss) for the year	<u>\$ 1,253,351</u>	<u>\$ (21,790,436)</u>
Basic and diluted income/(loss) per share	<u>\$ 0.02</u>	<u>\$ (0.79)</u>
Weighted average number of common shares outstanding	<u>53,536,059</u>	<u>27,560,484</u>

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

IDM MINING LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED OCTOBER 31

	2015	2014
CASH FROM OPERATING ACTIVITIES		
Income/(Loss) for the year	\$ 1,253,351	\$ (21,790,436)
Items not affecting cash:		
Depreciation	3,261	2,762
Unrealized foreign exchange gain	(95,567)	-
Recognition of flow-through premium liability	(130,357)	(339,721)
Share-based payments	353,287	649,619
Unrealized (gain)/loss on derivative liability	-	4,125,000
Gain on settlement of derivative liability	(2,309,648)	-
Gain on sale of exploration and evaluation assets	(21,500)	-
Write-off of exploration and evaluation assets	1	16,000,063
Write-down of other assets	42,825	-
Changes in non-cash working capital items:		
Receivables	150,136	(155,406)
Prepays	91,558	(167,952)
Accounts payable and accrued liabilities	<u>(225,472)</u>	<u>855,525</u>
Net cash used in operating activities	<u>(888,125)</u>	<u>(820,546)</u>
CASH FROM INVESTING ACTIVITIES		
Short-term investments	-	129,375
Expenditures on exploration and evaluation assets	(1,699,084)	(2,791,883)
Land use deposits	-	(50,000)
Proceeds on sale of exploration and evaluation assets	21,500	-
Acquisition on exploration and evaluation assets	-	(1,000,000)
Purchase of equipment	<u>-</u>	<u>(4,302)</u>
Net cash used in investing activities	<u>(1,677,584)</u>	<u>(3,716,810)</u>
CASH FROM FINANCING ACTIVITIES		
Proceeds on issuance of share capital	2,030,781	5,755,922
Share issuance costs	<u>(13,300)</u>	<u>(474,543)</u>
Net cash provided by financing activities	<u>2,017,481</u>	<u>5,281,379</u>
Change in cash during the year	(548,228)	744,023
Cash, beginning of year	<u>1,056,481</u>	<u>312,458</u>
Cash, end of year	\$ 508,253	\$ 1,056,481

Supplemental disclosure with respect to cash flows (Note 10)

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

IDM MINING LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY/(DEFICIT)
(Expressed in Canadian Dollars)

	<u>Share capital</u>		Reserves	Deficit	Total
	Number	Amount			
Balance at October 31, 2013	19,834,370	\$35,235,620	\$ 4,439,346	\$ (26,122,952)	\$ 13,552,014
Issued for:					
Private placements	12,705,508	3,367,562	-	-	3,367,562
Private placements - flow-through	6,092,823	2,414,360	-	-	2,414,360
Exploration and evaluation assets	4,955,500	1,214,098	-	-	1,214,098
Services	312,500	76,563	-	-	76,593
Debt	250,000	60,000	-	-	60,000
Stock options exercised	100,000	43,285	(19,285)	-	24,000
Share issue costs	-	(474,543)	-	-	(474,543)
Share-based payments	-	-	649,619	-	649,619
Agent warrants	-	(104,878)	104,878	-	-
Flow-through premium liability	-	(339,721)	-	-	(339,721)
Loss for the year	-	-	-	(21,790,436)	(21,790,436)
Balance at October 31, 2014	44,250,701	41,492,346	5,174,558	(47,913,388)	(1,246,484)
Issued for:					
Private placements	10,083,750	1,008,375	-	-	1,008,375
Private placements - flow-through	7,302,900	1,022,406	-	-	1,022,406
Debt	4,512,301	676,845	-	-	676,845
Derivative liability settlement	7,500,000	750,000	1,690,352	-	2,440,352
Share issue costs	-	(13,300)	-	-	(13,300)
Share-based payments	-	-	353,287	-	353,287
Agent warrants	-	(4,094)	4,094	-	-
Flow-through premium liability	-	(292,116)	-	-	(292,116)
Income for the year	-	-	-	1,253,351	1,253,351
Balance at October 31, 2015	73,649,652	\$ 44,640,462	\$ 7,222,291	\$ (46,660,037)	\$ 5,202,716

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

1. NATURE AND CONTINUANCE OF OPERATIONS

IDM Mining Ltd. (the “Company”) is an exploration company incorporated on July 14, 2009 under the laws of the Province of British Columbia, Canada. The Company’s shares were voluntary delisted from the Toronto Stock Exchange after close of trading on December 29, 2015 and were listed on TSX Exchange (“TSXV”) on open of trading on December 30, 2015. On June 6, 2014, the Company changed its name from “Revolution Resources Corp.” to “IDM Mining Ltd.” and now trades under the symbol IDM.

The Company’s head office, principal address and registered and records office is 1500 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

The Company is in the business of acquiring and exploring economically viable mineral resource deposits on its mineral properties. The recoverability of the amounts shown for mineral properties acquisition costs and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company’s ability to receive financial support, necessary financings, or generate profitable operations in the future.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with the IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PREPARATION (cont'd...)

Use of Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates.

These consolidated financial statements include estimates and judgments which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The most significant estimates and assumptions relate to the valuation of deferred income tax amounts, impairment testing, the valuation of certain financial liabilities, the valuation of the derivative liability, and the calculation of share-based payments. Share-based payments, as measured with respect to stock options granted, are estimated by reference to the Black-Scholes Pricing Model; a detailed disclosure of management's estimates with respect to the pricing model is found in Note 8. The Company has reviewed its exploration and evaluation assets for indications of impairment and determined that there is no such indication in excess of what has been recorded. The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes. The valuation of the derivative liability and settlement is discussed in Note 7.

The most significant judgments relate to the recoverability of capitalized amounts, the functional currency of the Company and its subsidiaries, recognition of deferred tax assets and liabilities and the determination of the economic viability of a project.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (Note 9). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting periods, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. The Company's cash and short-term investments are classified as FVTPL. Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At October 31, 2015, the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company has classified its derivative liability as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities and other mining taxes and other payables are classified as other financial liabilities.

Financial instrument disclosures

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Short-term investments

Short-term investments consist of highly liquid investments held as collateral on other short-term obligations included in accounts payable and accrued liabilities.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the declining balance method at the rate of 30% annually for computer equipment.

Exploration and evaluation assets

Costs directly related to the exploration and evaluation of mineral properties is capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment (cont'd...)

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

Provisions

a) Environmental rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an environmental rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs). The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated.

Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the statement of comprehensive loss. The Company had no rehabilitation obligations as at October 31, 2015 and October 31, 2014.

b) Other provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Flow-through shares

The issuance of flow-through common shares results in the tax deductibility of the qualifying resource expenditures funded from the proceeds of the sale of such shares being transferred to the purchasers of the shares. Under IFRS, on the issuance of such shares, the Company bifurcates the flow-through shares into: a flow-through shares premium, equal to the estimated premium that investors pay for the flow-through feature, which is recognized as liability, and share capital. As the related exploration expenditures are incurred, the Company derecognizes the liability and the premium is recognized through the Statement of net income/(loss).

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

If and when the stock options are exercised, the applicable amounts of reserves are transferred to share capital.

Net income/(loss) per share

Basic net income/(loss) per share is computed by dividing loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted net income/(loss) per share is computed similar to basic net income/(loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Income taxes

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the excess.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New standards, interpretations and amendments not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended October 31, 2015:

- a) IFRS 9 New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets⁽ⁱ⁾
- (i) Effective for annual periods beginning on or after January 1, 2018

The Company anticipates that the application of these standards, amendments and interpretations is not expected to have a material impact on the results and financial position of the Company.

4. LAND USE DEPOSITS

The Company has provided deposits as security for land use and potential future reclamation work related to its mineral properties. As at October 31, 2015 a total of \$50,000 (2014 – \$50,000) has been lodged with the British Columbia Ministry of Energy and Mines.

5. EQUIPMENT

	Computer equipment
Cost	
Balance, October 31, 2013	\$ 18,051
Acquisitions during for the year ended October 31, 2014	<u>4,302</u>
Balance, October 31, 2015 and 2014	\$ 22,353
Accumulated depreciation	
Balance, October 31, 2013	\$ 10,989
Depreciation for the year	<u>2,762</u>
Balance, October 31, 2014	13,751
Depreciation for the year	<u>3,261</u>
Balance, October 31, 2015	\$ 17,012
Carrying amounts	
As at October 31, 2014	\$ 8,602
As at October 31, 2015	<u>\$ 5,341</u>

6. EXPLORATION AND EVALUATION ASSETS

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain mineral titles as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all its properties and, to the best of its knowledge, title to all of its properties is in good standing.

Red Mountain (B.C., Canada)

In April 2014, the Company entered into an option agreement with Seabridge Gold Inc. ("Seabridge") to acquire a 100% interest in the Red Mountain gold project located near Stewart, B.C.

Under the terms of the option agreement, the Company issued 4,955,500 common shares valued at \$1,214,098, is required to pay \$2,000,000 in cash in two payments (\$1,000,000 paid, \$1,000,000 paid subsequent to October 31, 2015) and incur \$7,500,000 million in exploration and development expenditures over three years (\$2,500,000 per year commencing June 4, 2014). As at October 31, 2015, the Company has incurred \$4,314,866. The Company has the right to extend the deadline for expenditure of the final \$2,500,000 by one year upon payment to Seabridge of \$250,000.

Upon the commencement of commercial production, the Company is required to make an additional one-time \$1,500,000 cash payment to Seabridge, and Seabridge will also retain a gold metal stream on the Red Mountain project to acquire 10% of the annual gold production from the property at a cost of US\$1,000 per ounce up to a maximum of 500,000 ounces produced (50,000 ounces to Seabridge). Alternatively, Seabridge may elect to receive a one-time cash payment of \$4,000,000 at the commencement of production in exchange for the buyback of the gold metal stream. The property is also subject to certain royalties.

Mexico Property Portfolio

The Company, through its wholly-owned subsidiary Minera Golondrina, held 100% of the rights, title and interest in Montana de Oro (comprised of Montana de Oro, Lluiva de Oro and La Bufa projects) and Universo Properties in Mexico ("Mexico Properties"). During fiscal year 2013, the Company abandoned the Universo Properties and a portion of the Montana do Oro Properties. During the year ended October 31, 2014, the Company abandoned the remaining Mexico Properties and consequently wrote off associated capitalized costs of \$9,365,618. During the year ended October 31, 2015 the Company sold the Lluiva de Oro project and realized a gain on sale of \$21,500.

Concession fees on the Mexico Properties were due semi-annually in January and July of each year. The Company, through its wholly owned entity Minera Golondrina has accrued \$1,362,127 for the concession fees payable plus penalties and interest on the Mexico Properties from July 2013 to the date these properties were returned to the government authorities.

The Company has commenced the process to place its two Mexican subsidiaries into liquidation and begun settlement discussions with certain creditors to resolve the amounts payable with respect to the Mexican operations. The Company wrote off other assets valued at \$42,825 as a result of the Mexican subsidiaries entering into liquidation.

Champion Hills Properties (USA)

The Company had entered into various option and purchase agreements to acquire 100% of the Champion Hills properties covering approximately 704 acres located in North Carolina. The Company has elected not to purchase or extend the lease periods on these properties. During the year ended October 31, 2015, the Company wrote down the carrying value of the Champion Hills properties by \$1 (2014 - \$6,634,445).

IDM MINING LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
OCTOBER 31, 2015

6. EXPLORATION AND EVALUATION ASSETS (cont'd....)

	October 31, 2015		
	<u>Red Mountain</u>	<u>Champion Hills</u>	<u>Total</u>
Exploration costs			
Balance, beginning of year	\$ 3,609,724	\$ -	\$ 3,609,724
Assay	3,523	-	3,523
Camp and road access	28,698	-	28,698
Field work and personnel	22,445	-	22,445
Geological consulting	91,929	-	91,929
Metallurgical	27,630	-	27,630
Helicopter	83,069	-	83,069
Lease payments and permitting	443,909	-	443,909
Project administration and report preparation	1,250	-	1,250
Travel and transportation	2,690	-	2,690
	<u>705,143</u>	<u>-</u>	<u>705,143</u>
Balance, end of year	<u>4,314,867</u>	<u>-</u>	<u>4,314,867</u>
Acquisition costs			
Balance, beginning of year	<u>2,387,205</u>	<u>1</u>	<u>2,387,206</u>
Acquisition costs	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,387,205</u>	<u>1</u>	<u>2,387,206</u>
Write-off during the year	<u>-</u>	<u>1</u>	<u>1</u>
Balance, end of year	<u>2,387,205</u>	<u>-</u>	<u>2,387,205</u>
Balance, October 31, 2015	\$ 6,702,072	\$ -	\$ 6,702,072

IDM MINING LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
OCTOBER 31, 2015

6. EXPLORATION AND EVALUATION ASSETS (cont'd...)

	October 31, 2014			
	<u>Red Mountain</u>	<u>Mexico</u>	<u>Champion Hills</u>	<u>Total</u>
Exploration costs				
Balance, beginning of year	\$ -	\$ 743,643	\$ 4,773,560	\$ 5,517,203
Assay	68,232	-	-	68,232
Camp and road access	120,158	-	33,666	153,824
Field work and personnel	251,779	106,811	-	358,590
Geological consulting	442,015	61,217	21,292	524,524
Drilling	395,857	-	-	395,857
Equipment rental and maintenance	144,985	-	-	144,985
Helicopter	764,448	-	-	764,448
Lease payments and permitting	978,404	558,868	15,287	1,552,559
Project administration and report preparation	314,617	14,752	-	329,369
Travel and transportation	129,229	13,768	-	142,997
	<u>3,609,724</u>	<u>755,416</u>	<u>70,245</u>	<u>4,435,385</u>
Write-off during the year	-	1,499,059	4,843,805	6,342,864
Balance, end of year	<u>3,609,724</u>	<u>-</u>	<u>-</u>	<u>3,609,724</u>
Acquisition costs				
Balance, beginning of year	-	7,866,559	1,756,043	9,622,602
Acquisition costs	2,387,205	-	34,598	2,421,803
	<u>2,387,205</u>	<u>7,866,559</u>	<u>1,790,641</u>	<u>12,044,405</u>
Write-off during the year	-	7,866,559	1,790,640	9,657,199
Balance, end of year	<u>2,387,205</u>	<u>-</u>	<u>1</u>	<u>2,387,206</u>
Balance, October 31, 2014	\$ 5,996,929	\$ -	\$ 1	\$ 5,996,930

7. DERIVATIVE LIABILITY

Pursuant to the purchase and sale agreement with Lake Shore Gold Corp ("Lake Shore") whereby the Company acquired Lake Shore's subsidiary, Minera Golondrina, the Company was obligated to pay \$5,000,000 in cash or common shares, at the option of the Company, on or before December 31, 2017. If the Company elected to issue common shares they were to be valued at the greater of \$0.20 and a five-day volume-weighted average trading price, resulting in a maximum of 25,000,000 shares being issued.

This floor creates a derivative liability as the Company was under no obligation to deliver cash and may have issued shares with a fair value less than the \$5,000,000. The previous value of the derivative liability has been determined to be the value of the common shares required to settle the derivative liability.

IDM MINING LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
OCTOBER 31, 2015

7. DERIVATIVE LIABILITY (cont'd...)

In June 2015, the Company and Lake Shore amended the terms of the purchase and sale agreement to settle the Company's remaining payment obligation of \$5,000,000. Pursuant to the amended agreement and in full settlement of the payment obligation, the Company issued 7,500,000 common shares and 20,000,000 common share warrants to Lake Shore.

The common shares have been recorded at a fair value of \$750,000 and the warrants have been recorded at a fair value of \$1,690,352 (Refer to Note 8).

The table below illustrates the movement of the derivative liability

	October 31, 2015	October 31, 2014
Opening balance	\$ 4,750,000	\$ 625,000
Gain on settlement of derivative liability	(2,309,648)	-
Unrealised loss (gain) on derivative liability	-	4,125,000
Settlement of derivative liability	<u>(2,440,352)</u>	<u>-</u>
Closing Balance	\$ -	\$ 4,750,000

8. SHARE CAPITAL AND RESERVES

Authorized share capital

As at October 31, 2015, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

Private placements

During the year ended October 31, 2015, the Company completed a non-brokered private for gross proceeds of \$2,030,781, consisting of 7,302,900 flow-through units at \$0.14 per flow-through unit and 10,083,750 common units at \$0.10 per common unit. Each flow-through unit consisted of one common share and one half-warrant, with each whole warrant exercisable for a period of 24 months at \$0.18 per share. Each common unit consisted of one common share and one half-warrant exercisable for a period of 24 months at \$0.15 per share. Finder's fees payable in connection with the financing consisted of a total of \$13,300 and 130,200 finder's warrants. The finder's warrants have been recorded at a fair value of \$4,094, which is included in reserves. The fair value of the warrants was determined using the Black-Scholes option pricing model using the following assumptions: risk free rate interest rate of 0.48%, expected life of 1.00 years, expected volatility rate of 99.24% and a dividend rate of 0.00%.

8. SHARE CAPITAL AND RESERVES (cont'd...)

During the year ended October 31, 2014, the Company completed the following:

- a) a non-brokered private for gross proceeds of \$2,484,980, consisting of 3,754,178 flow-through units at \$0.45 per flow-through unit and 1,989,000 common units at \$0.40 per common unit. Each flow-through unit consisted of one common share and one half-warrant, with each whole warrant exercisable for a period of 24 months at \$0.55 per share. Each common unit consisted of one common share and one half-warrant exercisable for a period of 24 months at \$0.50 per share. Finder's fees payable in connection with the financing consisted of a total of \$82,809 and 184,828 finder's warrants. The finder's warrants have been recorded at a fair value of \$46,241, which is included in reserves. The fair value of the warrants was determined using the Black-Scholes option pricing model using the following assumptions: risk free rate interest rate of 1.16%, expected life of 1.00 years, expected volatility rate of 197.57% and a dividend rate of 0.00%.
- b) a brokered private placement for gross proceeds of \$2,776,140, consisting of 2,098,000 flow-through units at \$0.31 per flow-through unit and 8,857,334 common units at \$0.24 per common unit. Each unit consists of one common share and one half-warrant, with each whole warrant exercisable for a period of 15 months at \$0.36 per share. The Company incurred finders' fees of \$143,303 and issued 377,243 agent warrants exercisable for a period of 15 months at \$0.36 per share. The agents' warrants have been recorded at a fair value of \$58,637, which is included in reserves. The fair value of the warrants was determined using the Black-Scholes option pricing model using the following assumptions: risk free rate interest rate of 1.09%, expected life of 1.25 years, expected volatility rate of 188.35% and a dividend rate of 0.00%.
- c) a non-brokered private placement with characteristics consistent with the brokered private placement. The Company issued 240,645 flow-through units and 1,859,174 common units for additional gross proceeds of \$520,802.

Other share issuance

During the year ended October 31, 2015 the Company:

- a) Issued 7,500,000 common shares and 20,000,000 warrants to Lake Shore pursuant to the amended purchase and sale agreement (Refer to Note 7) valued at \$2,440,352. Each warrant is exercisable for a period of 60 months at \$0.20 per share. The warrants are subject to an acceleration provision if the Company's share trade at or above \$0.40 per share for 20 consecutive trading days. The common shares were valued at \$750,000 and the warrants have been recorded at a fair value of \$1,690,352, which is included in reserves. The fair value of the warrants was determined using the Black-Scholes option pricing model using the following assumptions: risk free rate interest rate of 0.52%, expected life of 5.00 years, expected volatility rate of 120.90% and a dividend rate of 0.00%.
- b) Issued 4,512,301 common shares for debt relating to services provided on the Red Mountain project, valued at \$676,845.

During the year ended October 31, 2014 the Company:

- c) Issued 312,500 units in exchange for advisory services on the Red Mountain property valued at \$75,000. Each unit comprises one common share and one half-warrant. Each whole warrant is exercisable for a period of 15 months at \$0.36 per share.
- d) Issued 250,000 common shares for debt relating to legal services, valued at \$60,000.

IDM MINING LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
OCTOBER 31, 2015

8. SHARE CAPITAL AND RESERVES (cont'd...)

Flow Through Premium

As the Company has incurred \$465,220 (2014 - \$2,414,360) related to the flow through financing completed in fiscal year ended October 31, 2015, it has recognized \$130,357 (2014 - \$339,721) of the initial \$292,116 (2014 - \$339,721) flow through premium in income with \$161,759 (2014 - \$Nil) of the flow through premium still to be recognized as related exploration expenditures are incurred.

Stock options and warrants

Stock option and warrant transactions are summarized as follows:

	Warrants		Stock options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, October 31, 2013	1,430,455	\$ 2.76	662,500	\$ 3.16
Granted	10,242,489	0.41	3,350,000	0.24
Exercised	-	-	(100,000)	0.24
Forfeited	-	-	(283,330)	3.26
Outstanding, October 31, 2014	11,672,944	0.70	3,629,170	0.54
Granted	28,823,427	0.19	4,155,000	0.10
Forfeited	(8,801,355)	0.75	(545,835)	1.76
Outstanding, October 31, 2015	31,695,016	\$ 0.22	7,238,335	\$ 0.20
Number currently exercisable	31,695,016	\$ 0.22	7,238,335	\$ 0.20

8. SHARE CAPITAL AND RESERVES (cont'd...)

Stock options and warrants outstanding (cont'd...)

The following incentive stock options and warrants were outstanding at October 31, 2015:

Number	Exercise price	Expiry date
Stock options		
37,501	\$ 4.20	February 15, 2016
45,834	2.58	February 1, 2017
2,850,000	0.24	July 3, 2019
150,000	0.30	October 10, 2019
1,230,000	0.11	April 27, 2020
2,925,000	0.10	October 28, 2020
Warrants		
130,200	0.18	July 2, 2016
1,565,978	0.55	September 19, 2016
738,250	0.50	September 19, 2016
311,111	0.55	October 10, 2016
256,250	0.50	October 10, 2016
3,471,875	0.15	July 2, 2017
80,000	0.18	July 2, 2017
320,000	0.15	July 20, 2017
2,067,000	0.18	July 20, 2017
20,000,000	0.20	July 31, 2020*
1,250,000	0.15	August 13, 2017
1,503,852	0.18	August 13, 2017

*These warrants are subject to an accelerated expiry in the event that the Company's common shares trade at a closing price greater than \$0.40 per share for a period of 20 consecutive trading days. The Company may accelerate the expiry date of the warrants by giving notice via press release; in such case, the warrants will expire 30 days from the date of notice.

Share-based payments

The Company has a stock option plan under which it is authorized to grant options to directors, officers, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

During the year ended October 31, 2015, the Company granted 4,155,000 (2014 - 3,350,000) stock options with a weighted fair value of \$0.09 (2014 - \$0.19) per option for options graded and vested to directors, officers and consultants. Total share-based payments for options vested recognized in the statement of income/(loss) and comprehensive income/(loss) for the year ended October 31, 2015 was \$353,287 (2014 - \$649,619) pursuant to vesting incentive options. This amount was also recorded as reserves on the statement of financial position.

IDM MINING LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
OCTOBER 31, 2015

8. SHARE CAPITAL AND RESERVES (cont'd...)

Share-based payments (cont'd....)

The following weighted average assumptions were used for the valuation of stock options:

	2015	2014
Risk-free interest rate	0.54%	1.62%
Expected life of options	5 years	5 years
Annualized volatility	121%	124%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

9. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of the Company and its 100% owned subsidiaries Storgold Resources Ltd (Canada – Inactive), Revolution Resources (NC) Inc. (USA), Minera Revolution, S.A. de C.V. (Mexico) and Minera Golondrina, (Mexico).

During the year ended October 31, 2015, the Company paid or accrued the following amounts as compensation to key management personnel:

- a) Management fees of \$261,629 (2014 - \$449,000) to officers of the Company.
- b) Professional fees of \$Nil (2014 - \$40,000) to officers and former officers of the Company.
- c) Director fees of \$23,000 (2014 - \$27,000) to non-executive directors of the Company and a company controlled by a director of the Company.

Share-based payment expense for the year ended October 31, 2015 included compensation to directors and officers of \$291,824 (2014 - \$567,656) for stock options vesting during the year.

Included in accounts payable is \$24,435 (October 31, 2014 - \$105,126) due to directors and officers of the Company.

9. RELATED PARTY TRANSACTIONS (cont'd...)

The Company operates from the premises of a group of public and private companies with common directors. Certain companies provide geological consulting and office and administrative services to the Company and various other public companies. Included in accounts payable and accrued liabilities is \$140,177 (2014 - \$174,326) due to a related private company. During the year ended October 31, 2015, the Company paid or accrued \$Nil (2014 - \$104,980) for geological consulting, and \$72,544 (2014 - \$102,449) for office and administrative expenditures.

A private company controlled by a director of the Company provides managerial services to public and private companies. During the year ended October 31, 2015, the Company paid or accrued \$90,780 (2014 - \$Nil) for managerial and administrative services relating to the baseline studies and permitting of the Red Mountain property.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended October 31, 2015, include the Company:

- a) Included in accounts payable and accrued liabilities as at October 31, 2015 were \$174,679 in expenditures related to exploration and evaluation expenditures.
- b) Issuing 4,512,301 common shares with a fair value of \$676,845 in settlement of accounts payable accrued liabilities which related to exploration and evaluation expenditures.
- c) Issuing 130,200 agent warrants with a fair value of \$4,094 as finder's fees in relation to the private placements.
- d) Issuing 7,500,000 common shares and 20,000,000 warrants with a fair value of \$2,440,532 in settlement of the derivative liability.

Significant non-cash transactions for the year ended October 31, 2014, include the Company:

- a) Included in accounts payable and accrued liabilities as at October 31, 2014 were \$1,845,645 in expenditures related to exploration and evaluation expenditures.
- b) Issuing 4,955,500 common shares with a fair value of \$1,214,098 as acquisition costs on the Red Mountain property.
- c) Issuing 562,071 agent warrants with a fair value of \$104,876 as finder's fees in relation to the private placements.
- d) Issuing 312,500 units with a fair value of \$100,849 in exchange for advisory services on the Red Mountain option agreement.
- e) Issuing 250,000 common shares with a fair value of \$60,000 in settlement of debt.
- f) Accruing \$50,000 in proceeds on private placements through receivables.

IDM MINING LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
OCTOBER 31, 2015

11. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2015	2014
Income/(Loss) for the year before income tax	\$ 1,253,351	\$ (21,790,436)
Expected income tax (recovery)	\$ 326,000	\$ (5,666,000)
Permanent differences	(559,000)	5,211,000
Impact of flow-through shares	161,000	583,000
Changes in tax rates and other	(292,000)	(292,000)
Change in unrecognized deductible temporary differences	364,000	164,000
Total income tax (recovery)	\$ -	\$ -

Significant components of deductible and taxable differences, unused tax losses and unused credits that have not been included in the statement of financial position are as follows:

	2015	2014	Expiry Dates
Share issuance costs	\$ 414,000	\$ 767,000	2036 – 2039
Exploration and evaluation assets	23,515,000	24,352,000	Not applicable
Non-capital losses	11,675,000	10,424,000	2029 – 2035
Equipment	17,000	14,000	Not applicable

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of short-term investments, receivables, and accounts payable and accrued liabilities and Mexican mining taxes and other payables approximate their fair value because of the short-term nature of these instruments.

The derivative liability is measured at fair value using a level 2. The Company calculates the fair value of the derivative liability based on the company's share price.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2015, the Company had a cash balance of \$508,253 to settle current liabilities of \$2,199,131.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to finance on-going exploration of its properties, such capital to be derived from the exercise of outstanding warrants and the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the previously mentioned financing activities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents and short-term investments. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables consist mainly of GST receivable from the Government of Canada. The Company has been successful in recovering input tax credits and believes credit risk with respect to receivables to be insignificant.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash and equivalents and short-term investments balances. The Company's current policy will be to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at October 31, 2015, the Company did not have any investments in investment-grade short-term deposit certificates.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Financial risk factors (cont'd...)

b) Foreign currency risk

The majority of the Company's business is conducted in Canada in the Canadian dollar, in Mexico in the US dollar and Mexican pesos and in the USA in the US dollar. As such, the Company is exposed to foreign currency risk in fluctuations among the Canadian dollar, the Mexican peso and the US dollar. Fluctuations in the exchange rate among the Canadian dollar, the Mexican peso and the US dollar may have a material effect on the Company's business and financial condition. Fluctuations do not have a significant impact on operating results.

c) Price risk

The mining industry is heavily dependent upon the market price of the metals or minerals being mined. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for their sale. There can be no assurance that mineral prices will be such that the Company's properties can be mined at a profit. Factors beyond control of the Company may affect the marketability of any minerals discovered. The price of gold has experienced volatile and significant price movements over short periods of time, and is affected by numerous factors beyond the Company's control. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

13. CAPITAL MANAGEMENT

The Company considers capital to be the elements of shareholders' equity/(deficit). The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the exploration and development of its mineral property interests. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

14. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of mineral property concessions. Geographic information is as follows:

	October 31, 2015	October 31, 2014
Capital assets:		
Canada	\$ 6,757,413	\$ 6,055,531
USA	-	1
	<u>\$ 6,757,413</u>	<u>\$ 6,055,532</u>

15. SUBSEQUENT EVENTS

- a) In December 2015, the Company completed a non-brokered private for gross proceeds of \$1,581,488, consisting of 9,989,800 flow-through units at \$0.11 per flow-through unit and 5,362,333 common units at \$0.09 per common unit. Each common and flow-through unit consisted of one common share and one half-warrant, with each whole warrant exercisable for a period of 24 months at \$0.14 per share. Finder's fees payable in connection with the financing consisted of a total of \$48,485 and 552,939 finder's warrants exercisable for a period of 12 months at \$0.10 per share.
- b) In December 2015, the Company completed a private placement with Oban Mining Corporation ("Oban") for gross proceeds of \$1,000,000, consisting of 11,111,111 common shares at a price of \$0.09. Finder's fees payable in connection with the financing consisted of \$50,000 and 555,555 finder's warrants exercisable for a period of 12 months at \$0.10 per share.
- c) In December 2015, the Company made the second option payment of \$1,000,000 pursuant to the option agreement with Seabridge Gold towards earning a 100% interest in the Red Mountain Gold Project.
- d) In February 2016, the Company acquired from Oban its portfolio of properties located in Yukon. As consideration, the Company issued 7,188,889 common shares and granted a 1% net smelter royalty over the Yukon properties and certain other rights. Pursuant to the agreement, Oban has been granted the following rights for as long as Oban holds at least 10% of the issued shares of the Company, on a non-diluted basis: Oban will (i) be entitled to nominate one director to be put forward on the management slate of directors at any meeting of the Company's shareholders, (ii) have the right to participate in future equity financings by the Company on a pro-rata basis, and (iii) have a 30 day right of first refusal over any sale of a royalty, royalty buy-back, stream, forward, off-take, gold loan or other agreement involving the sale of a similar interest in products that the Company proposes to enter into from time to time, subject to certain exceptions. A Finder's fee in connection with the acquisition of the Yukon properties consisted of a total of \$32,350 and 359,444 finder's warrants exercisable for a period of 12 months at \$0.10 per share.