



(Formerly Revolution Resources Corp.)  
("IDM" or the "Company")

**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTH PERIOD ENDED JULY 31, 2014**  
(Amended and Restated)

## **Introduction**

This management's discussion and analysis (MD&A) of IDM Mining Ltd. and its subsidiaries, Revolution Resources (NC) Inc., Minera Golondrina S. de R.L. de C.V. and Minera Revolution, S.A. de C.V., is the responsibility of management and covers the period ended July 31, 2014. The MD&A takes into account information available up to and including December 19, 2014 and should be read together with the audited consolidated financial statements for the years ended October 31, 2013, and October 31, 2012, which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Throughout this document the terms *we*, *us*, *our*, *the Company* and *IDM* refer to IDM Mining Ltd. All financial information in this document is prepared in accordance with International Financial Reporting Standards ("IFRS") and presented in Canadian dollars unless otherwise indicated.

On June 6, 2014, the Company consolidated its issued and outstanding shares on the basis of 6 pre-consolidated shares for one post-consolidated share. All share and per share amounts in these condensed consolidated interim financial statements have been adjusted to reflect the share consolidation.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.idmining.com](http://www.idmining.com).

## **Forward-Looking Statements**

Some of the statements contained in this document constitute forward-looking information within the meaning of the Securities Act (British Columbia), Securities Act (Ontario), Securities Act (Nova Scotia) and the Securities Act (Alberta). Forward-looking information includes disclosure regarding possible or anticipated events, conditions or results of operations which are based on assumptions about future economic conditions and courses of action, and includes future oriented financial information with respect to prospective results of operations or financial position or cash flow that is presented either as a forecast or a projection. Forward-looking information is often, but not always, identified by the use of words such as seek, anticipate, believe, plan, estimate, expect and intend; statements that an event or result is due on or may, will, should, could, or might occur or be achieved; and other similar expressions.

More specifically, forward-looking information contained here may include, without limitation, statements concerning IDM's plans for mineral properties in Mexico, British Columbia, Canada, North Carolina, USA, the timing and amount of estimated future production and mine life, expected future prices of minerals, mineral reserve and mineral resource estimates, estimated capital and operating costs of the project, estimated capital pay-back period, estimated asset retirement obligations, timing of development and permitting time lines; all of which involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information.

Forward-looking information contained here is based on material factors and assumptions and is subject to a variety of risks and uncertainties, which could cause actual events or results to differ materially from a conclusion, forecast or projection in the forward-looking information. These include, without limitation, material factors and assumptions relating to, and risks and uncertainties associated with, the availability of financing for activities when required and on acceptable terms, the accuracy of the interpretation of drill results and the estimation of mineral resources and reserves, the geology, grade and continuity of mineral deposits, the consistency of future exploration, development or mining results with our expectations, metal price fluctuations, the achievement and maintenance of planned production rates, the accuracy of component costs of capital and operating cost estimates, current and future environmental and regulatory requirements, favourable governmental relations, the availability of permits and the timeliness of the permitting process, the availability of shipping services, the availability of specialized vehicles and similar equipment, costs of remediation and mitigation, maintenance of title to mineral properties, industrial accidents, equipment breakdowns, contractor's costs, remote site transportation costs, materials costs for remediation, labour disputes, the potential for delays in exploration or development activities, timely completion of future mineral reserve or resource estimates, timely completion of scoping or feasibility studies, the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations, currency fluctuations, continuing global demand for base metals, expectations and beliefs of management and other risks and uncertainties as discussed in our MD&A. Although IDM has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from any conclusions, forecasts or projections described in the forward-looking information. Accordingly, readers are advised not to place undue reliance on forward-looking information. Except as required under applicable securities legislation, we undertake no obligation to publicly update or revise forward-looking information, whether as a result of new information, future events or otherwise.

### **Reserves and Resources**

National Instrument 43-101 ("43-101") of the Canadian Securities Administrators – Standards of Disclosure for Mineral Projects – requires that each category of mineral reserves and mineral resources be reported separately. Readers should refer to IDM's continuous disclosure documents available at [www.sedar.com](http://www.sedar.com) for this detailed information, which is subject to the qualifications and notes therein set forth.

### **Description of Business**

IDM is based in Vancouver and was incorporated on July 14, 2009 pursuant to the *Business Corporations Act* (British Columbia) and commenced business at that time. The Company trades on the Toronto Stock Exchange (the "TSX" or "Exchange") under the symbol "IDM". On June 6, 2014, the Company changed its name from "Revolution Resources Corp." to "IDM Mining Ltd."

The Company is an exploration stage company in the business of acquiring, exploring and developing natural resource properties in British Columbia and the USA. The Company currently has two main projects:

1. The Company signed an option agreement with Seabridge Gold Inc. ("Seabridge") to acquire a 100-percent interest in the high-grade Red Mountain gold project located near Stewart, B.C.
2. The Company has entered into numerous Option and Purchase and Option and Lease Agreements (the "Agreements") covering an area known as Champion Hills, North Carolina. The various Agreements entitle

the Company to acquire up to 100% of the respective properties, subject to the terms of the agreements more particularly described in the condensed consolidated interim financial statements.

#### Restatement of Previously Issued Financial Statements

The financial statements as initially reported have been restated to correct for certain errors. Refer to Note 14 of the restated interim financial statements for a description of the nature and amount of the restatement corrections. The Company has restated the previously reported value of the derivative liability and unrealized gain or (loss) thereon, as a result of an error in the floor price used to determine the number of shares required to settle the obligation as of July 31, 2014. This correction resulted in a non-cash increase in the value of value of the derivative liability and the deficit by \$3,125,000. The loss and comprehensive loss for the three and nine period ended July 31, 2014 increased by \$3,125,000.

#### Significant Events - Performance Summary

The following is a summary of significant events and transactions that occurred during, and subsequent to, the period ended July 31, 2014:

- The Company appointed Mr. Michael McPhie as executive chairman of the board of directors and Mr. Jodie Gibson, P.Geo., as vice-president of exploration. The Company also announced that Mr. Terry Bell and Mr. Michael Williams have resigned from the board of directors. The board would like to thank Mr. Bell and Mr. Williams for their contributions, and wish them well in their future endeavours. Mr. Jodie Gibson subsequently resigned as vice-president of exploration.
- The Company signed an option agreement with Seabridge to acquire a 100-per-cent interest in the high-grade Red Mountain gold project located near Stewart, B.C. Under the terms of the option agreement, the Company must issue 29,733,000 (post-consolidation – 4,955,500) common shares (issued), pay \$2,000,000 cash in staged payments (\$1,000,000 payable within 90 days (paid), \$1,000,000 within 1.5 years) and incur \$7,500,000 million in exploration and development expenditures over three years (\$2,500,000 per year).
- The Company implemented a one-for-six consolidation of its common shares and changed its name to IDM Mining Ltd.
- In June 2014, the Company closed 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 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.
- In June 2014, the Company closed a non-brokered private placement, issuing 240,645 flow-through units and 1,859,174 common units for gross proceeds of \$520,801. Each unit consists of one common share and one half-warrant, with each warrant exercisable for a period of 15 months at \$0.36 per share.
- The Company appointed Mr. David Parker and Mr. Andrew Farncomb to the board of directors. Concurrently, Mr. Robert McLeod and Mr. Aaron Keay were re-elected as directors. The Company also announced that Mr. Georg Hochwimmer resigned from the board of directors and would like to thank him for his contributions, and wish him well in his future endeavours.
- The Company granted 3,200,000 stock options to directors, officers, consultants and employees, exercisable at a price of \$0.24 per share for five years.
- The Company received a National Instrument 43-101 preliminary economic assessment and revised resource estimate on the Red Mountain project from JDS Energy & Mining Inc., outlining the anticipated low capital and operating costs, robust economic potential and near-term production profile of the property.

- The Company released surface assay results, including the identification of multiple high-grade gold prospects, from the exploration program at Red Mountain, which commenced in June 2014.
- During September and October, 2014, the Company closed a non-brokered private placement for gross proceeds of \$2,484,979, consisting of 3,754,178 flow-through units at \$0.45 per flow-through unit and 1,989,000 common share units at \$0.40 per common share unit. Each flow-through unit consisted of one common share of the Company and one-half warrant, with each whole warrant exercisable for a period of 24 months at \$0.55 per share. Each common share unit consisted of one common share of the Company and one half-warrant, each whole warrant exercisable for a period of 24 months at a price of \$0.50 per share. The Company incurred finders' fees of \$82,809 and issued 184,828 finder's warrants exercisable for a period of 24 months @ \$0.55 per share.

Additional information, including the full news release, can be found on [www.sedar.com](http://www.sedar.com) and the Company's website [www.idmmining.com](http://www.idmmining.com)

### **Property and Exploration Summary**

#### **Red Mountain, British Columbia**

IDM has an option to earn a 100% interest in the 17,125 hectare Red Mountain Project. It is located in northwestern B.C., 15km northeast of the town of Stewart. Discovered in 1989, the property was explored extensively until 1996 by Lac Minerals Ltd. and Royal Oak Mines Inc., with 466 diamond drill holes and over 2,000 meters of underground development completed, along with extensive engineering and environmental baseline work. Additional studies were completed over the past 12 years by Seabridge, North American Metals Corp. and Banks Island Gold Ltd.

During the period ended July 31, 2014, an Independent Technical Report was prepared by JDS Energy & Mining Incorporated and TS Technical Services Ltd., following the guidelines of the Canadian Securities Administrators National Instrument 43-101 and Form 43-101F1 report, titled "Preliminary Economic Assessment Technical Report, Red Mountain Gold Project, Northwestern, BC, Canada" The report was filed on SEDAR on September 2, 2014 and can be viewed on the SEDAR website, [www.sedar.com](http://www.sedar.com), and IDM's website [www.idmmining.com](http://www.idmmining.com). This report, which includes a revised resource estimate, was authored by Dunham Craig, P.Geo., Scot Klingmann, P.Eng., Gord Doerksen, P.Eng., and Tom Shouldice, P.Eng. who are independent Qualified Persons as defined under National Instrument 43-101.

The PEA outlines the anticipated low capital and operating costs, robust economic potential and near-term production profile of the Red Mountain underground gold project. Highlights of the PEA base case analysis are as follows (all amounts are in Canadian dollars unless otherwise indicated):

- Base case economics utilize a US\$1,250 per ounce gold price and US\$20 per ounce silver price.
- The pre-tax base case economics indicate a Net Present Value (NPV) of \$90 million at a 5% discount rate with an Internal Rate of Return (IRR) of 43.3% and a 1.3 year payback of initial capital.
- The after-tax base case economics indicate a Net Present Value (NPV) of \$58 million at a 5% discount rate with an Internal Rate of Return (IRR) of 32.8% and a 1.5 year payback of initial capital.
- Due to the wide nature of the mineralized zones, the majority of the deposit is amenable to bulk underground longhole mining methods. The project utilizes a design production rate of 1,000 tonnes per day.
- Life of project direct operating cost is estimated at US\$516 per ounce of gold recovered. Net of the silver by-product, costs drop to US\$455 per ounce.
- Initial capital costs are estimated at US\$76 million which includes a 15 percent contingency.

- The economic model assumes a base case gold recovery rates ranging from 93% to 82% for gold and 86% to 71% for silver, depending on the mineralized zone.
- The mine would operate for nine months per year, closing annually for maintenance and to avoid high snowfall months from December through to end of February.
- Mine life is estimated at 5 years and life of mine average annual payable production is estimated to be 55,500 ounces of gold and 171,000 ounces of silver.
- Opportunity to increase potentially mineable ounces through the conversion of additional inferred resource by way of infill drilling, as recommended by JDS, and through immediately proximal exploration efforts.

The PEA is preliminary in nature; it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and that there is no certainty that the PEA will be realized.

### Red Mountain Preliminary Economic Assessment Results

A summary of the PEA results based on a US\$1,250 per ounce gold price and US\$20 per ounce silver price is as follows. Full details are available in the NI 43-101 Technical Report.

#### Key Aspects and Assumptions of the PEA Study

Summary of Results		
Mine Life	Years	5.0
Resource Mined	M tonnes	1.4
Waste Mined	M tonnes	0.0
Total Mined	M tonnes	1.4
Strip Ratio	w:o	0.0
Throughput Rate	Tpd	1,022
Average Au Head Grade	g/t	7.25
Average Ag Head Grade	g/t	24.44
Au Payable	k oz.	277.0
	k oz./yr	55.5
Ag Payable	k oz.	852.0
	k oz./yr	170.6

#### Summary Economics

Summary Economics at US\$1,250/oz. gold, US\$20/oz. Silver			
Total LOM Pre-Tax Free Cash Flow	C\$ M		\$119.4
Average Annual Pre-Tax Free Cash Flow	C\$ M		\$23.9
LOM Income Taxes	C\$ M		\$40.1
Total LOM After-Tax Free Cash Flow	C\$ M		\$79.2
Average Annual After-Tax Free Cash Flow	C\$ M		\$15.9
Discount Rate	%		5%
Pre-Tax NPV	C\$ M		\$90.1
Pre-Tax IRR	%		43.3%
Pre-Tax Payback	Years		1.3

After-Tax NPV	C\$ M	\$57.6
After-Tax IRR	%	32.9%
After-Tax Payback	Years	1.5
	US \$*	C \$
Cash Cost (\$/oz.)	516.23	543.40
Cash Cost (\$/oz.) Net of By Product*	454.73	478.66

\*Exchange rate of \$1.00 equals US\$0.95 was used

## 2014 Resource Estimate

Numerous resource estimates were completed from 1989 to present. During 2000, North American Metal Corp ("NAMC") conducted a detailed review of all data, relogged all core within a 20 metre envelope of the mineralized material within the Marc, AV and JW zones and reviewed all exploration holes for potential inclusion into the resource. An extensive quality control and quality assurance ("QA/QC") review was completed on all exploration work and a comparative analysis was performed on drill hole data, underground bulk sampling and geology. The 2000 NAMC resource was reviewed, cross checked and verified for accuracy in May 2014 and is the basis for IDM Mining's revised resource estimate below.

At a 3.0 g/t Au cutoff, Measured and Indicated Resources from the Marc and AV zones are 1,454,300 tonnes averaging 8.15 g/t Au and 29.57 g/t Ag totaling 380,900 oz. Au and 1,382,800 oz. Ag. Inferred Resources from the Marc, AV and JW zones are 332,900 tonnes averaging 7.69 g/t Au and 12.72 g/t Ag totaling 82,300 oz. Au and 136,200 oz. Ag.

This resource estimate utilizes a more robust and conservative geologic model as compared with the previous 2013 NI 43-101 resource estimate for Red Mountain, prepared by Banks Island. Additionally, due to sparse drill density, Inferred Resources from the 141 Zone are not included in the current IDM resource estimate. Future drilling to better delineate gold mineralization within this zone is planned.

The current mineral resource estimate, effective date July 23, 2014, was prepared under the supervision of Dunham Craig, P.Geo. using 3D GEMS block modeling software. Resources were estimated from 206 surface and underground drill holes in 4 by 4 by 4 m blocks by ordinary kriging and anisotropic search ellipsoids designed to fit the geology. Grade estimates were based on capped 1.5 meter composited assay data. Gold values used in the interpolation runs were top cut to 44 g/t Au, and silver top cut to 220 g/t Ag.

## Mineral Resource Statement for the Red Mountain Gold Project at a 3 g/t Cut-off Grade\*

Zone	Tonnage	In situ Gold Grade	In situ Silver Grade	In situ Contained Gold	In situ Contained Silver
	(tonnes)	g/t	g/t	(Troy ounces)	(Troy ounces)
Marc Zone					
Measured	651,600	9.26	40.06	194,000	839,215
Indicated	10,800	9.71	30.33	3,400	10,477
Inferred	0	0.00	0.00	0	0
AV Zone					
Measured	508,200	7.14	20.88	116,700	341,202
Indicated	283,800	7.32	21.03	66,800	191,935
Inferred	1,800	10.96	39.50	600	2,308
JW Zone					
Measured					
Indicated					
Inferred	331,100	7.67	12.57	81,600	133,900
Total Measured & Indicated	1,454,300	8.15	29.57	380,900	1,382,800
Total Inferred	332,900	7.69	12.72	82,300	136,200

\*3 g/t Au is calculated as the cut-off grade for underground long hole stoping.

Since 2000, Banks Island drilled two additional holes in the Marc Zone of which the QA/QC procedures were not available. The Banks Island holes were entered into the database and their resource effect was estimated. Although they confirmed the 2000 resource estimate well, the net change to the 2000 resource was only a 0.02 g/t Au decrease in the Marc Zone average grade. As this is well within the rounding error and well below the resource estimation accuracy, and due to a lack of available QA/QC data, the Banks Island holes are not included in the current resource estimate.

## 2014 Surface Exploration Work

Ongoing surface mapping, along with rock and soil sampling, commenced in mid-June at Red Mountain. This work has been targeting known showings, as well as reconnaissance work in new areas. Subsequent to the end of the quarter, IDM released initial surface sampling results.

Initial rock sample assays was received from newly exposed areas of surface mineralization that was uncovered due to glacial retreat at the Cambria zone, approximately 500 meters southeast and on trend with the Marc-AV resource area. Similar to the Marc zone, the Cambria zone hosts a large area of centimeter to one meter wide gold-bearing massive pyrite stockworks and veins. The area of strongest outcropping mineralization, recently named the Uxlux prospect, has historic grab samples that range from 2.95 g/t to 44.96 g/t Au (average of six samples is 25.10 g/t Au), and is a high priority drill target. Recent channel and grab sampling from a newly exposed area 60 meters north of Uxlux range from trace to 39.60 g/t Au (25 samples average 2.68 g/t Au). Additionally, a grab sample collected 180 meters southeast of Uxlux returned 7.50 g/t Au (six samples range from trace to 7.50 g/t Au, averaging 1.90 g/t Au).

The McAdam zone is located 3,000 meters southwest, and 800 meters lower in elevation from the Marc and AV zone resource area. This undrilled prospect hosts multiple en echelon shears and quartz-pyrite-molybdenite veins, ranging from 0.2 to 1.5 meters in thickness. Located in steep terrain requiring rope-assisted sampling, 102 chip samples were previously collected by Lac Minerals in 1991. A total of 31 of these historic samples assayed over 1.0 g/t Au, averaging 18.7 g/t Au and 56.1 g/t Ag. Individual channel samples included: 0.2 meters averaging 103.8 g/t Au, 1.0 meter averaging 24.7 g/t Au and 0.6 meters averaging 57.1 g/t Au. Confirmation sampling by IDM crews of quartz-pyrite-molybdenite veins at McAdam returned assay values ranging from 1.5 g/t Au to 36.7g/t Au. The

average of all 42 rock samples collected in the McAdam area is 2.8 g/t Au. The McAdam zone is a top priority drill target for IDM for the 2014 season.

A further 700 meters southwest of the McAdam zone, in an area of glacial retreat that has uncovered newly exposed areas of outcrop, reconnaissance prospecting has discovered additional new areas of gold mineralization which has been collectively named the Lost Valley prospect. Two grab samples of pyrite +/- quartz stockwork returned 10.5 g/t Au and 2.2 g/t Au, respectively, 50 meters apart. Twelve other reconnaissance grab samples returned low to anomalous precious metal values.

Recent glacial retreat has exposed a large area of previously unexplored outcrop and rubble, south of the McAdam prospect. New exposure of a quartz monzonite stock (Erin stock) has revealed extensive molybdenite mineralization within quartz vein stockwork. This intrusive measures about one square kilometer in area. Of the 106 grab, subcrop and channel samples collected in the Erin stock area, all samples averaged 0.110% Mo. Individual grab samples of molybdenum rich stockwork, with veins typically 0.5 to 10 centimeters wide, included grades of 1.39%, 1.65 and 1.81% Mo. Stockwork and mineralization is typically strongest within a 25 to 50 meter wide area proximal to the quartz monzonite contact with surrounding hornfels, but molybdenite is common throughout the intrusive.

### **About Red Mountain**

Red Mountain is a 14 km<sup>2</sup> hydrothermal system, within the Stikine terrain. Gold mineralization is associated with and partially hosted within an early to mid-Jurassic multi-phase intrusive complex, with associated volcanic and volcanoclastic rocks and sediments. Many gold mineralized zones occur on the Property, including three mineralized zones with established resource estimates. These mineralized zones have been folded, and are separated by dip-slip fault zones: the Marc, AV and JW zones. They are moderate to steeply dipping, roughly tabular and vary in widths from one to 40 meters, averaging about 15 meters in thickness. Gold and silver tellurides, and free milling mineralization is associated with stockworks, dissemination and patches of coarse grained pyrite. Alteration facies includes strong quartz-sericite alteration.

Throughout the Property, multiple high-grade areas have been identified through surface sampling and local drilling by previous explorers. Of particular significance, since the vast majority of exploration work was completed on the property during 1996 and prior, glacial retreat has been surrounding known mineralized areas has been very extensive, with up to a kilometer at the south end of the Property. Glacial retreat over the past couple of decades has resulted in discoveries of additional mineralized zones at Seabridge's KSM Project and Pretivm's Valley of the Kings Deposit.

### ***Property Acquisition – Red Mountain***

Under the terms of the Option agreement, IDM can earn a 100% interest in the Red Mountain Project, subject to certain underlying royalties and gold streams, by:

1. Issuing 29,733,000 (post-consolidation – 4,955,500) shares of the Company (issued);
2. Paying \$2,000,000 over 3 years, of which \$1,000,000 is due within 90 days (paid); and
3. Incurring \$7,500,000 in exploration and development expenditures over 3 years (\$2,500,000 per year).

IDM has the right to extend the deadline of the final \$2,500,000 of exploration and development expenditures by one year upon payment of \$250,000 to Seabridge. Upon the commencement of commercial production, the Company will make an additional one-time payment of \$1,500,000 to Seabridge. Seabridge will also retain a gold metal stream on the Red Mountain Project, allowing Seabridge 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 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 buy-back of the gold metal stream.

### **Mexico Property Portfolio**

During the year ended October 31, 2013, the Company abandoned the Universo, La Bufa, Lluvia de Oro properties. During the quarter ended July 31, 2104 the Company abandoned the Montana de Oro properties.



***Property Acquisition and Exploration- Mexico***

Please refer to the prior financial statements and MD&A filed on SEDAR for a description of the acquisition agreements, underlying agreements, consideration paid and exploration conducted.

**Champion Hills, North Carolina*****Property Description, Area and Location***

All Champion Hills properties are located in the Cid mining district in central North Carolina. The Loflin, Jones Keystone, Hoover Hill and Jerico Hill targets are located in west-central Randolph County. All properties are located within a 35 kilometer trend, approximately 15 kilometers west from the town of Asheboro, NC and 85 kilometers northeast of Charlotte, NC. All properties are privately owned, and are currently under lease/purchase agreements with the Company. The agreements cover approximately 936 acres within the Champion Hills Mineral Trend. Mineral and surface rights are included in all lease/purchase agreements and the Company has legal access to all properties.

***Property Acquisition***

Please refer to the condensed consolidated interim financial statements for the period ended July 31, 2014 and for the year ended October 31, 2013 for a description of the acquisition agreements, underlying agreements and consideration paid.

As at the date of this report, all option and purchase agreements held by the Company cover approximately 936 acres (October 31, 2013 – 936 acres).

***Exploration by IDM Mining Ltd.***

Due to poor market conditions, and uncertainty pertaining to Romarco receiving mining permits at their Haile Deposit, IDM did not complete any work on the Projects during the year.

During the year ended October 31, 2013 the Company elected to abandon the Silver Hill and Silver Valley options and wrote-off the capitalized costs of \$1,669,439 as at October 31, 2013. The company also abandoned certain other non-core properties.

Refer to the Technical Reports, and Annual Information Form at [www.sedar.com](http://www.sedar.com) for more information. Detailed expenditures for the year are included in the consolidated financial statements for the year ended October 31, 2013.

**Future Exploration Plans**

Red Mountain – The Company's surface exploration work is ongoing; underground and surface drilling, totaling 4,000 to 5,000 meters, is planned for the subsequent quarter, with an estimated budget of \$2 million.

Champion Hills - The Company continues to withhold exploration as it awaits resolution to Romarco Minerals Inc. permitting issues on their Haile deposit.

*Robert McLeod, P. Geo., a Qualified Person under the meaning of Canadian National Instrument 43-101 and an Officer of the Company, is responsible for the technical content of this Management Discussion and Analysis.*

**Summary of Quarterly Results**

	Three Month Period Ended			
	July 31, 2014	April 30, 2014	January 31, 2014	October 31, 2013
	\$'000	\$'000	\$'000	\$'000
Total Assets	11,227	15,691	15,618	15,636
Mineral Properties	9,734	15,590	15,420	15,140
Working Capital	(1,251)	(1,768)	(1,453)	(970)
Derivative liability	5,000	1,000	875	625
Shareholders' Equity	3,493	12,829	13,098	13,552
Net Loss	(14,154)	(270)	(453)	(1,383)
Loss per Share	(0.68)	(0.01)	(0.02)	(0.02)

	Three Month Period Ended			
	July 31, 2013	April 30, 2013	January 31, 2013	October 31, 2012
	\$'000	\$'000	\$'000	\$'000
Total Assets	17,757	15,683	20,672	21,477
Mineral Properties	17,088	14,762	19,605	19,568
Working Capital	167	371	322	512
Derivative liability	2,342	-	-	-
Shareholders' Equity	15,012	15,239	20,190	20,796
Net Loss	(2,143)	(5,478)	(628)	(892)
Loss per Share	(0.11)	(0.35)	(0.04)	(0.06)

The variability in IDM's net loss over the last the eight quarters resulted primarily from the abandonment and write-off of certain mineral properties, changing levels in capital expenditures, share-based payments, finance charges, and office and administrative expenses. Changing levels in capital expenditures expenses and general and administrative costs fluctuate independently according to exploration activities and corporate activities including shareholder communication.

Significant financial items during previous quarters include:

During the quarter ended July 31, 2014, the Company elected to abandon the Montana de Oro Properties and consequently wrote off associated capitalized costs of \$9,193,484 during the quarter ended July 31, 2014.

During the quarter ended April 30, 2014, the Company entered into the Red Mountain acquisition option agreement. There were no other significant items during the quarter.

During the quarter ended October 31, 2013 the Company recognized an unrealized loss on the derivative liability of \$1,625,000. The Company also wrote-off an additional \$3,140,588 relating to exploration and evaluation projects the Company has abandoned, of which the majority related to Mexico.

During the quarter ended July 31, 2013 the Company sold its 15% interest in certain mineral licences in Greenland, known as the Storo gold project, for \$250,000; executed the purchase and sale agreement on the Mexican properties; and elected to abandon certain additional Champion Hills option agreements and wrote-off the associated capitalized costs of \$1,909,067.

During the quarter ended April 30, 2013 the Company elected to abandon the Universo project in Mexico and wrote off the associated capitalized costs of \$4,975,464 and elected to abandon certain Champion Hills option agreements and wrote-off the associated capitalized costs of \$164,814.

During the quarter ended January 31, 2013 the Company abandoned certain Champion Hills option agreements and wrote-off the capitalized costs of \$289,992. The Company also entered into a purchase and sale agreement on the Mexico Portfolio.

During the quarter ended October 31, 2012 the Company abandoned the option on the Virgilina property, Champion Hills, North Carolina, and wrote-off the capitalized costs of \$441,576.

## Results of Operations

### *Three and nine month period ended July 31, 2014*

The condensed consolidated interim financial statements reflect the financial condition of the Company's business for the three and nine month period ended July 31, 2014.

During the nine month period ended July 31, 2014 the Company incurred a loss of \$14,877,032 as compared to a loss of \$8,249,761 for the nine period ended July 31, 2013. These losses include non-cash-based deductions for depreciation of \$1,909 (2013 - \$2,269), share-based payments of \$617,128 (2013 -\$22,616), write-down of mineral properties of \$9,199,837 (2013 - \$7,395,021), and an unrealized loss on derivative liability of \$4,375,000 (2013 - \$Nil). Excluding non-cash-based deductions, the loss for the period ended July 31, 2014 was \$2,099,198 compared to \$912,022 for the nine month period ended July 31, 2013.

Significant expenditures or movements include director fees \$120,000 (2013 - \$Nil), investor relations \$74,990 (2013 - \$40,135), management fees \$149,000 (2013 - \$162,000), office and miscellaneous \$118,105 (2013 - \$291,681), professional fees \$214,117 (2013 - \$243,258), property investigation costs \$17,408 (2013 - \$Nil), and travel \$5,459 (2013 - \$92,214). The Company realized an increase in certain general expenses due to the appointment of a new director, and increased investor relations costs in relation to the ongoing exploration program at Red Mountain.

For the three month period ended July 31, 2014 operating expenditures increased compared to the comparative period due to increased activity due the Red Mountain acquisition and the PEA, increased investor relations costs in relation to the ongoing exploration program at Red Mountain and the financings.

## Liquidity and Capital Resources

IDM's mineral exploration and development activities do not provide a source of income and the Company therefore has a history of losses, working capital deficiencies and an accumulated deficit. The Company's financial success is dependent on management's ability to raise money and to discover economically viable mineral deposits. Given the nature of the Company's business, the results of operations as reflected in the net losses and losses per share do not provide meaningful interpretation of the Company's valuation.

As at July 31, 2014 the Company has a working capital deficit of approximately \$1.25 million. Included in accounts payable and accrued liabilities is \$1.66 million relating to operations in Mexico. Of this, \$1.2 million relates to Mexican mining property taxes (holding costs) required to keep the properties in good standing. The Company has abandoned all properties in Mexico, is in the process of winding up operations in Mexico and is working to settle outstanding payables.

**Operating Activities:** The Company does not generate cash from operating activities. Net cash used by the Company for operating activities for the period ended July 31, 2014 was \$775,035 compared to \$556,967 for the period ended July 31, 2013.

**Investing Activities:** IDM's capital assets include equipment and its interests in Red Mountain, B.C, and the Champion Hills property in North Carolina. Net cash used by the Company in investing activities on exploration and evaluation assets for period ended July 31, 2014 was \$1,384,279 (2013 - \$443,226), including \$1,000,000 paid under the Red Mountain option agreement. During the current period, the Company also purchased equipment for \$4,301 (2013 - \$Nil).

**Financing Activities:** During the period ended July 31, 2014 the Company received proceeds of \$3,296,942 (2013 - \$557,580) from the issuance of shares and paid share issuance costs of \$306,031 (2013 - \$13,585), and transferred \$129,375 (2013 - \$Nil) from short-term investments to cash. The Company has financed its operations and capital investments to date primarily through the issuance of common shares and loans payable.

In order to finance the Company's exploration programs and to cover administrative and overhead expenses, the Company raises money from equity sales and from the exercise of convertible securities. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and caliber of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control.

The condensed consolidated interim financial statements for the period ended July 31, 2014 do not reflect adjustments, which could be material, to the carrying value of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

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.

### Off-Balance Sheet Arrangements

At July 31, 2014, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

### Proposed Transactions

As at the date of this report, unless disclosed elsewhere in this document, there are no proposed transactions.

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

### Contractual Obligations for the Next Five Years

The following table sets out the contractual obligations of the Company, including payments to be made, for the next five years:

Contractual Obligation	Payments Due by Period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long Term Debt	\$5,000,000	Nil	nil	\$5,000,000	Nil
Capital Lease Obligations	nil	Nil	nil	Nil	Nil
Operating Leases	nil	Nil	nil	Nil	Nil
Purchase Obligations <sup>1,2,3</sup>	nil	Nil	nil	Nil	Nil
Other Long Term Obligations	nil	Nil	nil	Nil	Nil
Total Contractual Obligations	\$5,000,000	nil	nil	\$5,000,000	Nil

Note 1: All payments under the Champion Hills Option agreements are optional to the Company.

Note 2: All payments relating to the Red Mountain Option agreement are optional to the Company.

Note 3: The Company is required to pay \$5,000,000 in cash or common shares under the purchase and sale agreement with Lake Shore. If the Company elects to issue the common shares they will be valued at the greater of \$0.20 and a five-day volume-weighted average trading price.

### Outstanding Share Data

As at the date of this report, the Company had an unlimited number of common shares authorized for issuance with 44,250,701 common shares issued and outstanding.

The Company has the following incentive stock options and warrants outstanding at the date of this report:

	Number	Exercise price	Expiry date
<b>Stock Options</b>	229,167	\$ 3.00	April 27, 2015
	58,333	4.20	February 15, 2016
	91,667	2.58	February 1, 2017
	3,100,000	0.24	July 3, 2019
	150,000	0.36	October 10, 2016
<b>Warrants</b>	663,785	\$ 0.75	April 2, 2015
	750,000	4.50	October 18, 2015
	7,186,071	0.36	September 13, 2015
	1,708,806	0.55	September 23, 2016
	738,250	0.50	September 23, 2016
	353,111	0.55	October 10, 2016
	256,250	0.50	October 10, 2016
<b>Special Warrants</b>	16,667	\$ 4.50	March 15, 2015

### Related Party Transactions

The condensed consolidated interim financial statements include the financial statements of the Company and its 100% owned subsidiaries Revolution Resources (NC) Inc. (USA), Minera Revolution, S.A. de C.V. (Mexico) and Minera Golondrina, S. de R.L. de C.V (Mexico).

During the period ended July 31, 2014, the Company paid or accrued the following amounts as compensation to key management personnel:

- Management fees of \$Nil (2013 - \$120,000) to Aaron Keay, former CEO and a director of the Company and \$149,000 (2013 - \$60,000) to Robert McLeod, CEO and a director of the Company of which \$Nil (2013 - \$48,000) was capitalized to exploration and evaluation assets.
- Professional fees of \$67,500 (2013 - \$45,000) to Red Fern Consulting Ltd, a company controlled by Jonathan Richards, an officer of the Company.
- Director fees of \$120,000 (2013 - \$Nil) to Michael McPhie, Executive Chairman of the board, and Falkirk Global Management Consultants Ltd., a company controlled by Michael McPhie.
- Consulting fees of \$Nil (2013 - \$45,000) to McLeod Williams Capital Corp., a Company controlled by Robert McLeod, a director, and Michael Williams, a former director, of the Company.
- Shareholder communication fees of \$Nil (2013 - \$26,182) to General Research GmbH, a Company controlled by Georg Hochwimmer, a director of the Company.

Share-based payment expense for the period ended July 31, 2014 included compensation to directors and officers of \$535,166 (2013 - \$18,393) for stock options vesting during the year.

Included in accounts payable is \$4,936 (October 31, 2013 - \$20,000) due to directors, officers and companies controlled by directors and officers of the Company. Additionally there was \$15,750 owing from a director (October 31, 2013 - \$Nil).

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 \$151,441 (October 31, 2013 - \$93,359) due to McLeod Williams Capital Corp, a related private company. During the period ended July 31, 2014, the Company paid or accrued \$65,262 (2013 - \$91,673) for geological consulting, and \$76,819 (2013 - \$83,160) for office and administrative expenditures.

A private company controlled by Aaron Keay, a director of the Company provides management and professional services to public companies. During the period ended July 31, 2014, the Company paid or accrued \$Nil (2013 - \$39,065) for investor relations services, \$18,000 (2013 - \$42,072) for accounting services and \$Nil (2013 - \$33,822) for administration expenses.

### Critical Accounting Policies and Estimates

IDM's accounting policies are described in Notes 2 and 3 of its audited consolidated financial statements for the year ended October 31, 2013 with the exception of accounting policies as adopted as of November 1, 2013 as detailed below. Management considers the following policies to be the most critical in understanding the judgments that are involved in the preparation of our condensed consolidated interim financial statements and the uncertainties that could impact its results of operations, financial condition and cash flows:

- Use of estimates

The preparation of condensed consolidated interim 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 year. Actual results could differ from these estimates.

The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future years if the revision affects both current and future years. 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 acquisition of Minera Golondrina S. de R.L. de C.V. ("Minera Golondrina"), 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 of the condensed consolidated interim financial statements. The Company has reviewed its exploration and evaluation assets for indications of impairment and determined that there is no such indication. 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 net assets acquired upon the acquisition of Minera Golondrina is detailed in Note 4 of the condensed consolidated interim financial statements. The valuation of the derivative liability is discussed in Note 7 of the condensed consolidated interim financial statements.

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.

- 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 period, 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 comprehensive loss.

- Exploration and evaluation assets

Exploration and evaluation assets include the costs of acquiring licenses and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All costs related to the acquisition of mineral properties are capitalized by property as an intangible asset. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the statement of comprehensive loss. The Company expenses costs related to the exploration and development of mineral properties as they are incurred.

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.

- 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 capital stock.

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.

- Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

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 provides a valuation allowance against that excess.

### **New standards, interpretations and amendments adopted**

As of November 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted these new and amended standards without any significant effect on its financial statements.

The nature and the impact of each new standard are described below:

#### *IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Company.

#### *IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures*

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. As the Company does not have any partnerships in JCEs, the adoption of this standard had no impact on the financial statements of the Company.

#### *IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

#### *IFRS 13 Fair Value Measurement*

IFRS 13 is a comprehensive standard for all fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes additional disclosures regarding fair value measurements.

### **New standards yet adopted**

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended October 31, 2014:

- IFRS 9                      New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets<sup>(i)</sup>
- IAS 32 (Amendment)    New standard that clarifies requirements for offsetting financial assets and financial liabilities.<sup>(ii)</sup>
- IAS 36 (Amendment)    This amendment addresses the disclosure of information regarding the recoverable amount of impairment assets as the amount is based on fair value less costs of disposal.<sup>(ii)</sup>
- IFRIC 21                    This is an interpretation of IAS 37, Provisions, Contingent Liabilities and



Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event, known as an obligating event. The interpretation clarifies that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.<sup>(ii)</sup>

- (i) Deferred indefinitely.
- (ii) Effective for annual periods beginning on or after January 1, 2014

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

## **Financial Instruments and Risk Management**

### *Financial Instruments*

Cash and cash equivalents are 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 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 fair value measurement. 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

### *Risk Management*

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

#### *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 HST 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.

#### *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 July 31, 2014, the Company had a cash and cash equivalents and short-term investments balance of \$1,269,129 to settle current liabilities of \$2,618,706. The derivative liability recognized in order to complete the acquisition of Minera Golondrina allows the Company to settle, at its option, the obligation in shares; therefore, the debt is not considered to materially increase the liquidity risk of the Company.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated 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.

#### *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 cash 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 July 31, 2014, the Company did not have any investments in investment-grade short-term deposit certificates.

##### b) Foreign currency risk

The majority of the Company's business is conducted in Canada in Canadian dollars, in Mexico in Canadian dollars 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 adverse 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.

#### **Risk Factors**

Companies in the exploration stage face a variety of risks and investments are highly speculative. While unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible. The Company faces a variety of risk factors such as project feasibility and practically, risks related to determining the validity of mineral property title claims, commodities prices and environmental laws and regulations. Management monitors its activities and those factors that could impact them in order to manage risk and make timely decisions.

Readers are referred to the Company's Annual Information Form, located on SEDAR at [www.sedar.com](http://www.sedar.com), for a full list of applicable risk factors.

#### **Evaluation of Disclosure Controls and Procedures**

##### *Disclosure Controls and Procedures*

The Company has established disclosure controls and procedures to ensure that information disclosed in this amended and restated MD&A and the related amended and restated condensed consolidated interim financial statements was properly recorded, processed, summarized and reported to the Company's Board and Audit Committee. The Company's certifying officers conducted or caused to be conducted under their supervision an

evaluation of the disclosure controls and procedures as required under Canadian Securities Administration regulations, as at July 31, 2014. Based on the evaluation, the Company's certifying officers concluded that the disclosure controls and procedures were not effective due to the material weakness in the Company's internal controls over financial reporting described below.

#### *Internal controls over Financial Reporting*

The Company's certifying officers acknowledge that they are responsible for designing internal controls over financial reporting, ("IFCR") or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. During the course of the Company's year-end financial close, management identified a material weakness in internal controls related the valuation of the derivative. It was determined that the Company misinterpreted facts and circumstances related to the consolidation of the Company's share capital in June 2014 and the impact to the measurement of the derivative liability. As a result of these ineffective controls, the Company incorrectly measured the value of the derivative liability in its previously filed condensed consolidated interim financial statements. The Company has now corrected for this error as described in Note 14.

During the period ended July 31, 2014, there were no changes in the operations or controls, which materially affected, or are reasonably likely to materially affect, the Company's IFCR during the period other than the material weaknesses described above.

Management has established a process to coordinate communication internally, as well as to regularly consult with legal counsel in response to the material weakness identified. Management needs sufficient time to assess the effectiveness of these changes and to implement further improvement before it can conclude the material weakness has been remediated.

#### *Limitations of Controls and Procedures*

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.