



# **IDM MINING**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**FOR THE PERIOD ENDED JULY 31, 2015**

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**IDM MINING LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited - Expressed in Canadian Dollars)  
**AS AT**

	July 31, 2015	October 31, 2014
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 641,245	\$ 1,056,481
Short-term investments	8,625	8,625
Receivables	66,683	228,444
Prepaid expenses	<u>73,485</u>	<u>183,631</u>
	790,038	1,477,181
<b>Land use deposits</b>	50,000	50,000
<b>Equipment</b>	6,893	8,602
<b>Exploration and evaluation assets</b> (Note 3)	<u>6,298,793</u>	<u>5,996,930</u>
	<u>\$ 7,145,724</u>	<u>\$ 7,532,713</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 505,811	\$ 2,221,210
Mexico Mining taxes and other	<u>1,807,987</u>	<u>1,807,987</u>
	2,313,798	4,029,197
<b>Deferred Flow Through Premium</b> (Note 5)	171,808	-
<b>Derivative liability</b> (Note 4)	<u>-</u>	<u>4,750,000</u>
	<u>2,485,606</u>	<u>8,779,197</u>
<b>Shareholders' equity/(deficit)</b>		
Share capital (Note 5)	44,089,693	41,492,346
Reserves (Note 5)	8,176,848	5,174,557
Deficit	<u>(47,606,423)</u>	<u>(47,913,387)</u>
	<u>4,660,118</u>	<u>(1,246,484)</u>
	<u>\$ 7,145,724</u>	<u>\$ 7,532,713</u>

**Nature and continuance of operations** (Note 1)  
**Subsequent event** (Note 8)

Approved and authorized by the Board on September 14, 2015:

“Robert McLeod”

Director

“Michael McPhie”

Director

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

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

(Unaudited - Expressed in Canadian Dollars)

**FOR THE PERIOD ENDED**

	Three Months Ended July 31, 2015	Three Months Ended July 31, 2014	Nine Months Ended July 31, 2015	Nine Months Ended July 31, 2014
<b>GENERAL EXPENSES</b>				
Consulting fees	\$ 4,439	\$ 45,750	\$ 13,602	\$ 49,698
Depreciation	570	851	1,709	1,909
Director fees (Note 6)	10,000	120,000	13,000	120,000
Foreign exchange loss (gain)	438	(11,321)	3,431	25,954
Investor relations and communications	170,406	71,428	242,563	77,124
Management fees (Note 6)	37,901	77,000	141,324	149,000
Office and miscellaneous	29,970	30,195	85,826	118,105
Professional fees (Note 6)	45,167	132,775	124,541	214,117
Property investigation costs	-	-	-	17,408
Share-based compensation	-	617,128	112,257	617,128
Transfer agent and filing fees	36,429	27,647	76,427	69,819
Travel and trade shows	328	960	7,045	5,459
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Income/(Loss) before other items</b>	<u>(335,648)</u>	<u>(1,112,413)</u>	<u>(821,725)</u>	<u>(1,465,721)</u>
<b>OTHER ITEMS</b>				
Interest income	-	-	-	1,380
Recovery on mineral properties	-	6,390	21,500	10,134
Recognition of flow-through premium liability	-	152,012	-	152,012
Realized loss on settlement of derivative liability (Note 4)	(1,385,940)	-	(1,385,940)	-
Unrealized gain/(loss) on derivative liability (Note 4)	500,000	(4,000,000)	2,500,000	(4,375,000)
Write-down of mineral properties	-	(9,199,837)	(6,870)	(9,199,837)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Income/(Loss) and comprehensive income/(loss) for the period</b>	<u>\$ (1,221,588)</u>	<u>\$ (14,153,848)</u>	<u>\$ 306,965</u>	<u>\$ (14,877,032)</u>
<b>Basic and diluted loss per share</b>				
	<u>\$ (0.02)</u>	<u>\$ (0.68)</u>	<u>\$ 0.00</u>	<u>\$ (0.74)</u>
<b>Weighted average number of common shares outstanding</b>				
	<u>51,573,175</u>	<u>20,928,979</u>	<u>47,020,123</u>	<u>20,203,249</u>

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

**IDM MINING LTD.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited - Expressed in Canadian Dollars)

**FOR THE NINE MONTH PERIOD ENDING JULY 31,**

	2015	2014
<b>CASH FROM OPERATING ACTIVITIES</b>		
Income/(Loss) for the period	\$ 306,965	\$ (14,877,032)
Items not affecting cash:		
Depreciation	1,709	1,909
Unrealized (gain)/loss on derivative liability	(2,500,000)	4,375,000
Realized loss on settlement of derivative liability	1,385,940	-
Write-off of exploration and evaluation assets	6,870	9,199,837
Share based compensation	112,257	617,128
Recognition of flow-through premium liability	-	(152,012)
Changes in non-cash working capital items:		
Receivables	161,760	(76,232)
Prepays	110,149	(90,519)
Accounts payable and accrued liabilities	<u>(122,010)</u>	<u>226,886</u>
Net cash used in operating activities	<u>(536,360)</u>	<u>(775,035)</u>
<b>CASH FROM INVESTING ACTIVITIES</b>		
Short-term investments	-	129,375
Furniture and equipment	-	(4,301)
Acquisition of exploration and evaluation assets	-	(1,000,000)
Expenditures on exploration and evaluation assets	<u>(1,225,279)</u>	<u>(384,279)</u>
Net cash used in investing activities	<u>(1,225,279)</u>	<u>(1,259,205)</u>
<b>CASH FROM FINANCING ACTIVITIES</b>		
Issuance of common shares	1,359,703	3,296,942
Share issuance costs	<u>(13,300)</u>	<u>(306,031)</u>
Net cash used in investing activities	<u>1,346,403</u>	<u>2,990,911</u>
<b>Change in cash and cash equivalents during the period</b>	<b>(415,236)</b>	<b>956,671</b>
<b>Cash and cash equivalents, beginning of period</b>	<b><u>1,056,481</u></b>	<b><u>312,458</u></b>
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 641,245</u></b>	<b><u>\$ 1,269,129</u></b>

**Supplemental disclosure with respect to cash flows (Note 7)**

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

**IDM MINING LTD.****CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY/(DEFICIT)**

(Unaudited - Expressed in Canadian Dollars)

	<u>Share capital</u>				
	Number	Amount	Reserves	Deficit	Total
<b>Balance at October 31, 2013</b>	19,834,370	\$ 35,235,620	\$ 4,439,346	\$ (26,122,952)	\$ 13,552,014
Issued for:					
Private placements	10,716,508	2,571,962	-	-	2,571,962
Private placements - flow-through	2,338,645	724,980	-	-	724,980
Exploration and evaluation assets	4,955,500	1,214,098	-	-	1,214,098
Services	312,500	76,563	11,010	-	87,573
Debt	250,000	60,000	-	-	60,000
Share issue costs	-	(306,031)	-	-	(306,031)
Share-based payments	-	-	617,128	-	617,128
Agent warrants	-	(26,581)	26,581	-	-
Flow-through premium liability	-	(152,012)	-	-	(152,012)
Loss for the period	-	-	-	(14,877,032)	(14,877,032)
<b>Balance at July 31, 2014</b>	38,407,523	39,398,599	5,094,065	(40,999,984)	3,492,680
Issued for:					
Private placements	1,989,000	795,600	-	-	795,600
Private placements - flow-through	3,754,178	1,689,380	-	-	1,689,380
Services	-	-	(11,010)	-	(11,010)
Stock options exercised	100,000	43,285	(19,285)	-	24,000
Share issue costs	-	(168,512)	-	-	(168,512)
Share-based payments	-	-	32,491	-	32,491
Agent warrants	-	(78,297)	78,297	-	-
Flow-through premium liability	-	(187,709)	-	-	(187,709)
Income/(Loss) for the period	-	-	-	(6,913,404)	(6,913,404)
<b>Balance at October 31, 2014</b>	44,250,701	\$ 41,492,346	\$ 5,174,558	\$ (47,913,388)	\$ (1,246,484)
Issued for:					
Private placements	7,583,750	758,375	-	-	758,375
Private placements - flow-through	4,295,200	601,328	-	-	601,328
Debt	4,512,301	676,845	-	-	676,845
Settlement of derivate liability	7,500,000	750,000	2,885,940	-	3,635,940
Share issue costs	-	(13,300)	-	-	(13,300)
Share-based payments	-	-	112,257	-	112,257
Agent warrants	-	(4,094)	4,094	-	-
Flow-through premium liability	-	(171,808)	-	-	(171,808)
Income/(Loss) for the period	-	-	-	306,965	306,965
<b>Balance at July 31, 2015</b>	68,141,952	\$ 44,089,693	\$ 8,176,848	\$ (47,606,423)	\$ 4,660,118

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

## **IDM MINING LTD.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

JULY 31, 2015

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#### **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 is listed on the Toronto Stock Exchange (“TSX”). 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 condensed consolidated interim 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.

These condensed consolidated interim 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 condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended October 31, 2014.

The condensed consolidated interim financial statements should be read in conjunction with the most recently issued audited consolidated financial statements, which include information necessary or useful to understandings the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies which were presented in Note 3 to the Consolidated Financial Statements for the fiscal year ended October 31, 2014 and have been consistently applied in the preparation of the Company’s condensed consolidated interim financial statements.

The Company’s condensed consolidated interim financial statements are unaudited. Financial information in this report reflects any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to a fair presentation of results for the interim periods in accordance with IFRS as issued by the International Accounting Standards Board.

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. Unless otherwise stated, all share, warrant, option and per share amounts in these consolidated financial statements have been adjusted to reflect the share consolidation.

**IDM MINING LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

JULY 31, 2015

**3. 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.

	July 31, 2015			
	<u>Red Mountain</u>	<u>Mexico</u>	<u>Champion Hills</u>	<u>Total</u>
<b>Exploration costs</b>				
Balance, beginning of period	\$ 3,609,724	\$ -	\$ -	\$ 3,609,724
Assay	3,520	-	-	3,520
Camp and road access	51,018	-	6,870	57,888
Field work and personnel	21,445	-	-	21,445
Geological	87,785	-	-	87,785
Metallurgical testwork	27,630	-	-	27,630
Permitting	97,475	-	-	97,475
Helicopter	11,466	-	-	11,466
Travel and transportation	1,524	-	-	1,524
	<u>301,863</u>	<u>-</u>	<u>6,870</u>	<u>308,733</u>
Write-off during the period	-	-	6,870	6,870
Balance, end of period	<u>3,911,587</u>	<u>-</u>	<u>-</u>	<u>3,911,587</u>
<b>Acquisition costs</b>				
Balance, beginning of period	<u>2,387,205</u>	<u>-</u>	<u>1</u>	<u>2,387,206</u>
Acquisition costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,387,205</u>	<u>-</u>	<u>1</u>	<u>2,387,206</u>
Write-off during the period	-	-	-	-
Balance, end of period	<u>2,387,205</u>	<u>-</u>	<u>1</u>	<u>2,387,206</u>
<b>Balance, July 31, 2015</b>	<b>\$ 6,298,792</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 6,298,793</b>



**IDM MINING LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

JULY 31, 2015

**3. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

	October 31, 2014			
	Red Mountain	Mexico	Champion Hills	Total
<b>Exploration costs</b>				
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>3,609,724</u>
<b>Acquisition costs</b>				
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>	-	1	<u>2,387,206</u>
<b>Balance, October 31, 2014</b>	<b>\$ 5,996,929</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 5,996,930</b>

**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, is required to pay \$2,000,000 in cash in two payments (\$1,000,000 paid, \$1,000,000 due December 2015) and incur \$7,500,000 million in exploration and development expenditures over three years (\$2,500,000 per year) (As at July 31, 2015, the Company has incurred \$3,911,587). 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.

**IDM MINING LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

JULY 31, 2015

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**3. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

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.

***Mexico Property Portfolio***

The Company, through its wholly-own 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 elected to abandon the remaining Mexico Properties and consequently wrote off associated capitalized costs of \$9,365,618.

Concession fees on the Mexico Properties were due semi-annually in January and July of each year. The Company, through its owned entity Minera Golondrina has accrued \$1,438,148 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.

***Champion Hills Properties (USA)***

The Company had entered into various additional 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, 2014, the Company has written down the carrying value of the Champion Hills properties by \$6,634,445 to a nominal value.

**4. 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 ("Additional Consideration"), at the option of the Company, on or before December 31, 2017. If the Company elected to issue common shares they would have been 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 created 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 had been determined to be the value of the common shares required to settle the derivative liability.

**IDM MINING LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

JULY 31, 2015

**4. 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 \$2,885,940 (Refer to Note 5).

The table below illustrates the movement of the derivative liability.

	July 31, 2015	October 31, 2014
Opening balance	\$ 4,750,000	\$ 625,000
Unrealised loss (gain) on derivative liability	(2,500,000)	4,125,000
Realised loss on derivative liability	1,385,940	-
Settlement of derivative liability	<u>(3,635,940)</u>	<u>4,125,000</u>
Closing Balance	<u>\$ -</u>	<u>\$ 4,750,000</u>

**5. SHARE CAPITAL AND RESERVES****Authorized share capital**

As at July 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 nine months ended July 31, 2015, the Company completed the following:

- a non-brokered private for gross proceeds of \$1,359,701, consisting of 4,295,200 flow-through units at \$0.14 per flow-through unit and 7,583,750 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%.
- The Company has recognized a deferred flow-through premium of \$171,808. The flow through premium will be recognized in income as the exploration expenditures related to the flow through are incurred.

**IDM MINING LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

JULY 31, 2015

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**5. 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.
- d) As the Company has incurred the exploration expenditures related to the financings completed in fiscal year end October 31, 2014, the flow-through premium has been fully recognized.

**Other share issuance**

During the nine months ended July 31, 2015 the Company:

- a) Issued 4,512,301 common shares for debt relating to services provided on the Red Mountain project, valued at \$676,845.
- b) 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 4) valued at \$3,635,940. 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 finder's warrants have been recorded at a fair value of \$2,885,940, 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 3.00 years, expected volatility rate of 99% and a dividend rate of 0.00%.

**IDM MINING LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

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**5. SHARE CAPITAL AND RESERVES (cont'd...)**

During the year ended October 31, 2014 the Company:

- a) 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.
- b) Issued 250,000 commons shares for debt relating to legal services, valued at \$60,000.

**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	26,069,575	0.19	1,230,000	0.11
Forfeited	(680,455)	0.84	(545,835)	1.76
Outstanding, July 31, 2015	37,062,064	\$ 0.34	4,313,335	\$ 0.26
Number currently exercisable	37,062,064	\$ 0.34	4,313,335	\$ 0.26

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**5. SHARE CAPITAL AND RESERVES (cont'd...)**

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

Number	Exercise price	Expiry date
<b>Stock options</b>		
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
<b>Warrants</b>		
750,000	\$ 4.50	October 18, 2015
7,186,071	0.36	September 13, 2015*
142,828	0.55	September 19, 2015
42,000	0.55	October 10, 2015
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
2,067,500	0.18	July 20, 2017
20,000,000	0.20	July 31, 2020**
130,200	0.18	July 2, 2016

\*Expired unexercised.

\*\*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.

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**5. SHARE CAPITAL AND RESERVES (cont'd...)****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 nine months ended July 31, 2015 the Company granted 1,230,000 (2014 – 3,200,000) stock options, with a fair value \$112,257 (2014 - \$617,128). All options vest immediately.

The following weighted-average assumptions were used in the Black-Scholes valuation of stock options granted during the period:

	<b>2015</b>	<b>2014</b>
Risk free interest rate	0.87%	1.61%
Expected life of Option	5 years	5 years
Annualized volatility	121.51%	124.00%
Dividend rate	0.00	0.00
Forfeiture rate	0.00	0.00

**6. 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). The Company has commenced the process to place its two wholly owned Mexican subsidiaries into liquidation.

During the nine month period ended July 31, 2015, the Company paid or accrued the following amounts as compensation to key management personnel:

- Management fees of \$116,000 (2014 - \$149,000) to an officer of the Company.
- Professional fees of \$68,500 (2014 - \$67,500) to executive director, officers, a company controlled by director of the Company and former officers of the Company.
- Director fees of \$13,000 (2014 - \$120,000) to the chairman and non-executive directors of the Company and a company controlled by a director of the Company.
- Share-based compensation for the period ended July 31, 2015 included compensation to directors and officers of \$109,560 (2014 - \$535,166) for stock options vesting during the period.

Included in accounts payable is \$3,000 (October 31, 2014 - \$105,126) due to directors and officers of the Company.

**IDM MINING LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

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**6. RELATED PARTY TRANSACTIONS (cont'd...)**

The Company operates from the premises of a group of public and private companies with a common director. 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 \$141,203 (October 31, 2014 - \$174,326) due to a related private company. During the nine months ended July 31, 2015, the Company paid or accrued \$53,594 (2014 - \$65,262) for office and administrative expenditures and \$Nil (2014 - \$76,819) for geological consulting.

During the period ended July 31, 2015, the Company paid or accrued \$Nil (2014 - \$18,000) for accounting services from a private company controlled by a former director of the Company.

The Company received services from a private company controlled by a director of the Company, that specializes in government affairs, project permitting and environmental assessment and baseline studies. During the period ended July 31, 2015, the Company paid or accrued \$17,127 (2014 - \$Nil) for these services relating to the baseline studies and permitting of the Red Mountain property.

**7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions for the period ended July 31, 2015, include the Company:

- a) Changes in accounts payables and accrued liabilities relating to exploration and evaluation assets expenditures of \$1,593,391.
- b) Issuing 4,512,301 common shares with a fair value of \$676,845 in settlement of debt.
- c) Issuing 130,200 finder's warrants with a fair value of \$4,094 in relation to the non-brokered private placement.
- d) Issuing 7,500,000 common shares and 20,000,000 million warrants with a fair value of \$3,635,940 in settlement of the derivative liability.

Significant non-cash transactions for the period ended July 31, 2014, include the Company:

- a) Changes in accounts payables and accrued liabilities relating to exploration and evaluation asset expenditures of \$92,792.
- 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 377,243 agent warrants with a fair value of \$26,581 in relation to the brokered private placement.
- d) Issuing 312,500 units with a fair value of \$75,000 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.



**IDM MINING LTD.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**8. SUBSEQUENT EVENTS**

- a) In August 2015, the Company closed the final tranche of the non-brokered private placement offering (the “Private Placement”) consisting of 2,500,000 common share units (“Common Share Units”) at a price of \$0.10 per Common Share Unit and 3,007,700 flow through units (“Flow-Through Units”) issued at a price of \$0.14 per Flow-Through Unit, for aggregate gross proceeds of \$671,078.

Each Common Share Unit shall consist of one common share of the Company (a “Common Share”) and one-half of one non-transferable share purchase warrant, with each such whole warrant entitling the holder to acquire one Common Share at a price of \$0.15 per Common Share for a period of twenty-four (24) months following the closing of the Private Placement.

Each Flow-Through Unit shall consist of one-through common share and one-half of one non-transferable share purchase warrant, with each whole warrant, entitling the holder thereof to acquire one non flow-through Common Share in the capital of the Company at a price \$0.18 per Common Share for a period of twenty-four (24) months following the closing of the Private Placement.