

## **Comstock Metals Ltd.**

### **Form 51-102F1**

### **Management's Discussion and Analysis**

### **For the Period Ended December 31, 2016**

### **Expressed in Canadian Dollars Unless Otherwise Noted**

This Management Discussion and Analysis ("MD&A"), dated as of February 27, 2017, should be read in conjunction with the condensed consolidated interim financial statements for the period ended December 31, 2016 of Comstock Metals Ltd. (also referred to as "Comstock" or the "Company", or "we" or "our") and other corporate filings available under Comstock's company profile on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website, [www.comstock-metals.com](http://www.comstock-metals.com). We report our financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

#### **Overview and Overall Performance**

Comstock Metals is primarily a gold exploration company with its shares traded on the TSX Venture Exchange under the symbol "CSL" and led by a technically focused management team engaged in the acquisition and exploration of projects in mining friendly jurisdictions. Comstock is currently engaged in the exploration and development of mineral properties in the White Gold District of the Yukon, the La Ronge Gold Belt and the Athabasca Basin of Saskatchewan. For the funding of property acquisitions and exploration the Company depends on the issuance of shares from the treasury to investors and does not use long term debt. The head office, registered office, principal address and records office of the Company are located at 850 West Hastings Street, Suite 310, Vancouver, British Columbia, Canada, V6C 1E1.

As of December 31, 2016, the Company has working capital of \$1,178,089 (September 30, 2016 - \$1,687,862) and cash on hand of \$1,379,036 (September 30, 2016 - \$2,120,393). As of the date of this report, the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, private placements of common shares, public offerings of common shares, convertible debt instruments and/or loans from which may or may not originate from insiders of the Company.

#### **QV Gold Project, Yukon**

One of Comstock's focus projects is the QV Property in the Yukon Territory, which covers 16,335 hectares (40,000 acres) within the White Gold District in the Yukon Territory, about 70 kilometres south of Dawson City. The QV project is contiguous to Kinross Gold's White Gold project and hosts a similar style mineralization to the Golden Saddle deposit.

Comstock optioned the original QV property in 2010 from Shawn Ryan, a Yukon-based prospector responsible for the initial identification of two of the prominent gold discoveries in the White Gold District, Kinross Gold's +1.0 million ounce Golden Saddle deposit on its White Gold project, 10 km to the south, and Kaminak Gold's +5.0 million ounce Coffee project 40 km to the south. The Company earned a 100% interest in the property in 2014 by making staged cash and share payments and completing exploration expenditures.

The QV Property is subject to a 2.0% Net Smelter Royalty ("NSR") to the optionor. The Company has the right to acquire 1.0% of the NSR for a payment of \$2,500,000. Commencing June 22, 2015, the Company must also make annual cash advance payments of \$25,000 to the optionor until the commencement of commercial production (the "Advance Royalty"). The Advance Royalty is deductible against the NSR.

The Company may pay the Advance Royalty in cash or by issuing common stock of the Company based on the average closing price of its shares in the 10 trading days prior to the due date of the Advance Royalty. On September 30, 2015, the Company and the optionor agreed to settle the two \$25,000 annual cash payments due on June 22, 2015 and 2016 in return for the issuance of 400,000 common shares of the Company. On July 12, 2016, the Company received TSX approval to issue 200,000 shares with a deemed issue price of \$0.125 to satisfy the \$25,000 owing from June 22, 2015 and to issue 125,000 shares with a deemed issue price of \$0.20 to satisfy the \$25,000 owing from June 22, 2016. The common shares issued in satisfaction of the indebtedness were subject to a four month hold period from the date of issuance.

#### *2010-2013 Exploration Work*

Exploration by Comstock Metals Ltd. between acquisition in 2010 and 2013 consisted of the collection of 8,161 ridge and spur and grid soil samples, prospecting and geological mapping with coincident geochemical sampling, a 773 line kilometre airborne magnetic and radiometric geophysical survey, ground magnetic surveys and 32 induced polarization lines over the VG, Stewart and Shadow zones, 3,570m of small excavator trenching in 28 trenches, 3,005m of direct push and geoprobe sampling on the QV, Stewart and Shadow grids, an aerial drone survey over the VG zone, and 3,419m of diamond drilling in 17 holes on the VG zone.

Visible gold was initially discovered on the southern QV Project by Comstock Metals Ltd. on June 10, 2012 while conducting follow up prospecting of a gold in soil anomaly; an initial grab sample returned 16.28 g/t Au and 47 g/t Ag with anomalous bismuth, tellurium, mercury, molybdenum and lead. The VG zone consists of quartz ±carbonate veins, stockwork and breccia zones, as well as pyrite veinlets, including cubic pyrite and visible gold, associated with intense-quartz-carbonate-sericite (or possible illite) alteration, with albite, pervasive K-spar and hematite. Overall gold is associated with anomalous silver, mercury, bismuth, tellurium, molybdenum, antimony, and barium. This style of mineralization and alteration is analogous to that at the Golden Saddle deposit on the White Gold Project.

Trenching on the VG zone in 2012 delineated a 450m by 65m, 250° trending zone of gold mineralization. Trench results (reported as length along the trench, not true widths) include 3.52 g/t Au over 80m from QVTR12-6, 1.63 g/t Au over 95m from QVTR12-12, and 2.18 g/t Au over 85m from QVTR12-13. Drilling on the VG zone intersected true widths of 2.23 g/t Au over 42m in QV12-004, 1.45 g/t Au over 60m in DDH QV12-6, 1.03 g/t Au over 78m in DDH QV12-1, including 6.15 g/t Au over 5.6m, 1.36 g/t Au over 42.6m in DDH QV13-11 (275m down dip of the mineralized zone in the discovery trench, QVTR12-6), and 1.76 g/t Au over 42.3m in DDH QV13-12 (at the open ended western limit of the zone).

The drill program delineated an open ended 250°/20-30°N trending, near surface tabular body of gold mineralization at the VG zone with a strike extent of 325m, traced up to 275m down dip from surface, and averaging 35-40m true thickness. Mineralization remained open to the west, down dip and beneath the mafic hornblende gneiss to the east and further exploration and infill drilling was recommended with the most favorable drill orientation at 160°/- 60 to -70°.

Mineralization at the VG zone occurs as stacked or en-echelon lenses hosted along WSW, gently NNW dipping sheared zones (average orientation of 250°/20°N), which are common throughout the southern part of the QV property. The shear zones occur as one or more stacked and intersecting horizons. Subsequent brittle reactivation of these shallowly north-northwest dipping structures has included local fracturing of the adjacent felsic rocks, which has permitted the flow of hydrothermal fluid that caused sericite (illite) - pyrite alteration of the adjacent wallrock, and local gold mineralization. The primary host rock is biotite-feldspar(±augen)-quartz gneiss, which occurs structurally below a hornblende-biotite-feldspar-quartz gneiss.

The original soil anomaly over the VG zone on the QV grid consisted of a 2 km long (with a 500m gap through the hornblende gneiss unit) and up to 400m wide >10 ppb gold anomaly with maximum values of 395.6 ppb Au and 8.7 ppm Ag from a south facing slope, with better soil development than most of the property area. Infill soil sampling returned a maximum of 1277 ppb Au. At the VG zone and overall on the QV property anomalous gold in soils is associated with anomalous mercury, bismuth, tellurium, molybdenum, moderately high barium, antimony ±lead soil geochemistry.

Other significant mineralization on the QV grid includes the Pump, North Star adit, and GP2 zones which all appear to occur along 070°/steep south trending sinistral faults that offset the airborne magnetic high, similar to the sinistral fault that offsets the magnetic high at the Golden Saddle deposit of Kinross Gold Corporation. The VG zone occurs along the Telegraph Fault, the Pump zone and North Star adit zone along the Adit Fault, 600m south of the VG zone and the GP2 zone along the VG North Fault, 1.2 km north. The GP2 zone itself consists of a 2.16 g/t Au anomaly from bedrock along geoprobe line QVGP13-2.

At the Shadow zone (12 km north-northwest of the VG zone), two structures have been interpreted from magnetic data and surface mapping. Low grade gold mineralization (0.33 g/t Au over 85m, including 0.9 g/t Au over 10m) is hosted by felsic intrusive rocks, of probable Jurassic age, along the northwest trending Spirit Fault which corresponds to a 2.7 km long northwest trending gold in soil anomaly, open to the southeast. In addition, a 1.3 km long gold-in-soil anomaly, open to the northeast, parallels the ENE trending Shadow Fault (parallels the Telegraph Fault at the VG zone). Initial bedrock interface sampling on the structures include results of 1.5 and 0.90 g/t Au. A second, possibly structurally related, east-northeast trending gold-in-soil anomaly extends through untested soil highs of 504 and 249 ppb Au in the central grid area. Maximum soil values on the Shadow grid include 514 ppb Au, 2.6 ppm silver, 33.9 bismuth, 9.3 ppm tellurium, 316.4 ppm arsenic, and 60 ppm Mo.

The Stewart zone, 5 km north-northwest of the VG zone, covers a 1.5 km long gold-in-soil anomaly, with a maximum value of 274.1 ppb Au, and anomalous bismuth, silver and tellurium ±molybdenum. The gold-in-soil anomaly and low grade mineralization uncovered to date (0.13 g/t Au over 40m and 0.10 g/t Au over 30m in QVTR12-17, 0.48 g/t Au from a pit along QVTR12-9, and 0.12 g/t Au over 65m with a maximum of 0.42 g/t Au in geoprobe sampling) are associated with a magnetic low, along the southern margin of an intrusion of probable Jurassic age. The intrusion on the Stewart grid resembles the intrusion at Shadow and both appear to be related to the mineralized K-spar porphyry sills within the VG zone. The Stewart intrusion corresponds to an airborne potassium high anomaly and a thorium/potassium low in the Precision airborne survey, the same signature which characterizes the Jurassic aged Ten and Jual stocks, located 30 km northwest of the Stewart grid, and 20 km north of Shadow.

On July 8, 2014 the Company announced a National Instrument ("NI") 43-101 compliant Inferred Mineral Resource of 230,000 ounces of gold (4.4 million tonnes at a grade of 1.65 g/t Au at a 0.5 g/t Au cut-off grade (COG)), at the VG zone, on its QV Project, White Gold District, Yukon Territory. The VG Zone remains open along strike and down dip and other targets exist on the QV Project with potential for intrusion-related or orogenic gold mineralization.

From the 17 diamond drill holes (DDH) completed in 2012 and 2013, 16 (3,278 m) were used to construct a 3D resource model for the VG Zone. The model is comprised of 3 sub-parallel, geology-guided grade shells (at a nominal COG of 0.4 g/t gold). Assays within these zones were capped at 7 g/t au and composited into 2-meter lengths for estimation by block model. A 20 meter (Easting), 20 meter (Northing) and 10 meter (Vertical) block model was constructed using commercially-available software (GEMS®). Grades for the blocks were estimated with Inverse Distance Squared (ID2) method using the modelled zones as hard boundaries. Density values for the model were assigned based on the average value from 63 density determinations carried out by Comstock using weight in air/weight in water method.

All reported Mineral Resources for the VG Zone are classified in the Inferred Mineral Resources category. To limit the reported estimate to material considered potentially minable by open pit mining, a resource constraining pit shell was constructed using a gold price of US\$1,300/ounce for gold, and cost and recovery assumptions used in previous NI 43-101 Technical Reports for the White Gold deposit 10 km to the south. Only the portions of the modeled zones at VG that fall within this pit are reported here as Mineral Resources at a COG of 0.5 g/t gold.

To demonstrate the relatively low sensitivity of the Inferred Mineral Resource estimate to changes in COG, tabulations at various COGs are listed below with the base case at a COG of 0.5 g/t gold highlighted.

**VG Zone Inferred Mineral Resource Estimate at a 0.5 g/t Gold cut-off grade**

| <b>Cut-off Grade Gold (g/t)</b> | <b>Tonnes</b>    | <b>Gold Grade (g/t)</b> | <b>Contained Gold (Ounces)</b> |
|---------------------------------|------------------|-------------------------|--------------------------------|
| 0.3                             | 4,480,000        | 1.62                    | 230,000                        |
| 0.4                             | 4,420,000        | 1.64                    | 230,000                        |
| <b>0.5</b>                      | <b>4,390,000</b> | <b>1.65</b>             | <b>230,000</b>                 |
| 0.6                             | 4,340,000        | 1.66                    | 230,000                        |
| 0.8                             | 3,970,000        | 1.75                    | 220,000                        |
| 1.0                             | 3,520,000        | 1.86                    | 210,000                        |
| 1.2                             | 2,990,000        | 1.99                    | 190,000                        |
| 1.5                             | 2,210,000        | 2.22                    | 160,000                        |
| 2.0                             | 1,130,000        | 2.72                    | 100,000                        |

The Technical Report (NI 43-101) was posted on SEDAR on August 21, 2014 and is available there and on the Company's [website](#) for review.

*2016 Exploration Work*

On July 12, 2016, the Company announced it had commenced a surface exploration program on the QV project. The program was completed in early August and comprised comprised 5.46 line km of IP/resistivity surveying at the VG, Shadow (12 km northwest of VG) and Stewart (5 km northeast of VG) targets, 359 GT Probe samples along 11 lines at the VG, Shadow and Stewart and a total of 451 soil samples collected at Shadow and Stewart. Results of these surveys were instrumental in refining drilling targets for the subsequent RAB drilling program. The size of the QV project was also increased by staking an additional 31 quartz claims to partially fill an internal gap within the property.

On August 30, 2016, the Company announced it had commenced a 2,500 m rotary air blast (RAB) drilling program at QV with an average planned hole depth in the 100 m to 150 m range. The RAB drill program was designed to inexpensively and rapidly screen numerous prospective targets within the QV Property for subsequent follow-up with a diamond drill program. The areas targeted for drilling included the VG deposit area, as well as the previously undrilled Shadow and Stewart targets. The program, which consisted of a total of 2,423.15 m of RAB drilling in 34 holes, was completed in mid-November and results were disclosed in news releases on October 13, 2016, November 8, 2016 and December 19, 2016. The RAB drilling program has successfully demonstrated that the QV deposit is open to expansion to the southwest and northeast, and, that further drilling on the Shadow and Stewart targets is required to evaluate their potential.

Highlights of the 2016 RAB drilling program at QV include:

- Potential new zone discovered 150-200 m south of main VG deposit (3.05 m averaging 7.79 g/t gold starting at 4.57 m below surface in 16QVRAB001, October 13, 2016 news release)
- VG zone extended 55 m east of hole QV13-013 by holes 16QVRAB011& 12 on the south side of the Telegraph fault (16.76 m averaging 1.43 g/t gold and 18.29 m averaging 1.81 g/t gold, respectively, both from surface; October 13, 2016 news release)
- VG mineralized zone extended at least 200 m to the northeast on the north side of the Telegraph fault, as evidenced by 16QVRAB006 (35.05 m averaging 0.46 g/t gold starting at 59.44 m below surface; October 13, 2016 news release) and 16QVRAB014 (10.67 m averaging 1.65 g/t gold starting at 16.76 m below surface in 16QVRAB014 within a wider interval of 64.01 m averaging 0.52 g/t gold; November 8, 2016 news release). Holes drilled in this area ended in mineralization and diamond drilling will be required to delineate the zone's thickness and grade characteristics
- VG deposit expanded 100 m down dip of hole QV13-12 and 45 m west of holes QV12-06,-08 by holes 16QVRAB017 (12.19 m averaging 5.53 g/t gold starting at 83.82 m below surface in 16QVRAB017, within a wider interval of 57.91 m averaging 1.89 g/t gold; November 8, 2016 news release) and 16QVRAB018 (18.29 m averaging 1.14 g/t gold starting at 85.34 m below surface; November 8, 2016 news release). Both holes ended in mineralization and the VG zone remains open to expansion to the west in this area
- Step out hole 16QVRAB024, drilled 750 m WSW along strike of VG deposit on an extension of the gold-in-soil anomaly, intersected 9.15 m averaging 0.326 g/t gold ([see Map 1a](#))
- Initial drilling along a 460 m section of the Spirit fault at the Shadow zone intersected anomalous gold in a number of holes including 16QVRAB029 with 9.14 m averaging 0.662 g/t gold starting at 53.34 m down hole and ending in mineralization; planned depth was only reached in 1 of the 7 holes drilled at Shadow due to high groundwater flow ([see Map 2](#))
- Three holes completed from a single pad on the eastern side of the Stewart zone intersected widespread anomalous gold ranging up to 0.318 g/t ([see Map 3](#))

Significant RAB drill results for all holes from the 2016 program are presented below in Table 1.

A total of 1752.58 m in 24 holes were completed at the VG zone ([see Map 1 and 1a](#)), 399.29 m in 7 holes at the Shadow zone ([see Map 2](#)) and 271.28 m in 3 holes at the Stewart zone ([see Map 3](#)). Drilling problems related to high groundwater flow and/or heavily fractured bedrock resulted in a number of holes not being completed to target depth; 22 holes were stopped prior to reaching 100 m and 13 holes did not reach 50 m.

**Table 1: QV RAB Drilling Intercepts from 2016 Program\***

| Hole ID                                                                                                                                                                                     | Zone        | From (m)     | To(m)         | Interval (m)** | Au (g/t)    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------------|---------------|----------------|-------------|
| 16QVRAB001                                                                                                                                                                                  | VG South    | 4.57         | 7.62          | 3.05           | 7.79        |
| 16QVRAB006***                                                                                                                                                                               | VG East     | 59.44        | 94.49         | 35.05          | 0.46        |
| <i>Including</i>                                                                                                                                                                            |             | <i>59.44</i> | <i>79.25</i>  | <i>19.81</i>   | <i>0.56</i> |
| <i>and</i>                                                                                                                                                                                  |             | <i>86.87</i> | <i>94.49</i>  | <i>7.62</i>    | <i>0.61</i> |
| 16QVRAB011                                                                                                                                                                                  | VG East     | 0.00         | 16.76         | 16.76          | 1.43        |
| <i>Including</i>                                                                                                                                                                            |             | <i>0.00</i>  | <i>6.10</i>   | <i>6.10</i>    | <i>3.65</i> |
| 16QVRAB012                                                                                                                                                                                  | VG East     | 0.00         | 18.29         | 18.29          | 1.81        |
| <i>Including</i>                                                                                                                                                                            |             | <i>0.00</i>  | <i>13.72</i>  | <i>13.72</i>   | <i>2.33</i> |
| 16QVRAB013                                                                                                                                                                                  | VG East     | 38.10        | 39.62         | 1.52           | 1.41        |
| 16QVRAB014***                                                                                                                                                                               | VG East     | 16.76        | 80.77         | 64.01          | 0.52        |
| <i>including</i>                                                                                                                                                                            |             | <i>16.76</i> | <i>56.39</i>  | <i>39.62</i>   | <i>0.74</i> |
| <i>including</i>                                                                                                                                                                            |             | <i>16.76</i> | <i>27.43</i>  | <b>10.67</b>   | <b>1.65</b> |
| 16QVRAB015***                                                                                                                                                                               | VG East     | 35.05        | 39.62         | 4.57           | 1.03        |
| 16QVRAB016                                                                                                                                                                                  | VG East     | 0.00         | 24.38         | 24.38          | 0.18        |
| 16QVRAB017***                                                                                                                                                                               | VG West     | 24.38        | 36.58         | 12.19          | 1.59        |
| <i>and</i>                                                                                                                                                                                  |             | <i>56.39</i> | <i>114.30</i> | <b>57.91</b>   | <b>1.89</b> |
| <i>including</i>                                                                                                                                                                            |             | <i>83.82</i> | <i>103.63</i> | <i>19.81</i>   | <i>4.19</i> |
| <i>including</i>                                                                                                                                                                            |             | <i>83.82</i> | <i>96.01</i>  | <b>12.19</b>   | <b>5.53</b> |
| 16QVRAB018***                                                                                                                                                                               | VG West     | 36.58        | 41.15         | 4.57           | 0.99        |
| <i>and</i>                                                                                                                                                                                  |             | <i>85.34</i> | <i>103.63</i> | <b>18.29</b>   | <b>1.14</b> |
| 16QVRAB019                                                                                                                                                                                  | VG West     | 7.62         | 13.72         | 6.10           | 0.21        |
| 16QVRAB022***                                                                                                                                                                               | VG West     | 1.52         | 22.86         | 21.34          | 0.19        |
| 16QVRAB023                                                                                                                                                                                  | VG West     | 0.00         | 16.76         | 16.76          | 0.33        |
| <i>including</i>                                                                                                                                                                            |             | <i>1.52</i>  | <i>7.62</i>   | <i>6.10</i>    | <i>0.60</i> |
| 16QVRAB024                                                                                                                                                                                  | VG Far West | 35.05        | 44.20         | 9.15           | 0.33        |
| 16QVRAB025                                                                                                                                                                                  | Shadow      | 38.10        | 53.34         | 15.24          | 0.23        |
| 16QVRAB027***                                                                                                                                                                               | Shadow      | 4.57         | 24.38         | 19.81          | 0.20        |
| 16QVRAB028                                                                                                                                                                                  | Shadow      | 45.72        | 47.24         | 1.52           | 0.53        |
| 16QVRAB029***                                                                                                                                                                               | Shadow      | 53.34        | 62.48         | 9.14           | 0.66        |
| 16QVRAB032                                                                                                                                                                                  | Stewart     | 60.96        | 124.97        | 64.01          | 0.103       |
| *This table includes results disclosed in October 13, 2016, November 8, 2016, and December 19, 2016 news releases                                                                           |             |              |               |                |             |
| **Insufficient information is available to estimate the true thickness of these intercepts and, as such, the true thickness may be less than the down-hole length intercept reported above. |             |              |               |                |             |
| ***Hole ended in mineralization                                                                                                                                                             |             |              |               |                |             |

Holes 16QVRAB001-004 were drilled approximately 150-200 m south of the main VG zone to investigate combined soil-GT Probe and resistivity anomalies. Further work is required to determine the significance of, and controls to, the 3.05 m at 7.79 g/t gold intersected starting at 4.57 m down hole in 16QVRAB001. This intercept is located considerably south of the VG zone proper and may represent a parallel mineralized structure. Results for RAB holes 16QVRAB002-4 included numerous anomalous samples of up to 0.412 g/t gold over 1.52 m, all associated with broad (up to 50m) zones of strong quartz-sericite +/- clay alteration.

Holes 16QVRAB005-7 and 10 were drilled to the north of the interpreted location of the east-trending Telegraph fault in an area mapped as being underlain by amphibolite. Holes 16QVRAB005 and 10 were terminated well before reaching their target depths due to strong faulting and fracturing in the rock adjacent to the Telegraph fault. 16QVRAB006, targeting a resistivity low at approximately 80 m depth, was collared in amphibolite and transitioned into felsic gneiss at approximately 54m depth; immediately above the mineralized intercept which starts at 59.44 m depth and continues to the end of the hole. 16QVRAB007, drilled 80 m to the east of 16QVRAB006, did not reach the resistivity low it was targeting but intersected anomalous gold up to 1.52 m at 0.402 g/t gold in the bottom quarter of the hole.

Holes 16QVRAB008, 9, 11 and 12 were all drilled south of the Telegraph fault. 16QVRAB011 and 12 collared in the eastern extension of the VG deposit, 55 m east of core hole QV13-013. Both holes cut strongly quartz-sericite-clay altered felsic gneiss with abundant oxidized pyrite. The distance between the base of the zone in the two holes is 25 m and sectional interpretation indicates the mineralized zone in this area dips to the north at 25-30°. Holes 16QVRAB008 and 9 were drilled to test a combined GT Probe-soil-resistivity target on the south side of the Telegraph fault, 165m and 265m, respectively, to the east of core hole QV13-013. Both holes collared in amphibolite and intersected 20m wide zones of chlorite-epidote+/-sericite alteration near surface, with anomalous gold values ranging from trace to 0.459 g/t over 1.52 m. Insufficient information is available to determine if these anomalous zones are related to an eastern extension of the VG zone, however, they do indicate the potential for mineralization within the amphibolite and further drilling in this area is required.

Holes 13 to 15 (16QVRAB013-015) were drilled on the northeastern flank of the VG deposit, in the north-south oriented draw and east of diamond drill holes QV12-03 and 07 and QV13-14 and 16, in order to test for extensions to the deposit in this area. Hole number 13 (16QVRAB013) reached a depth of 64.01 m before it was abandoned due to high water flow and low recovery prior to reaching its target depth of 100m, intersecting locally anomalous gold values.

Hole number 14 (16QVRAB014) was collared 40 m southeast of hole number 7 (QV12-007) and was drilled to the south at -55° intersecting a wide zone of gold mineralization, averaging 0.52 g/t gold over 64.01 m, starting at 16.76 m down hole and continuing until the end of the hole at 82.3 m depth. The upper part of the intercept included a 10.67 m interval averaging 1.65 g/t gold from 16.76 m down hole.

Hole number 15 (16QVRAB015), collared from the same site as hole number 14 (16QVRAB014), was drilled towards an azimuth of 20° in order to test for extensions further to the northeast. It intersected 4.57 m averaging 1.03 g/t gold at the bottom of the hole and was stopped at only 41.15m depth due to high water flow and low recovery. It is interpreted to have been just entering the zone of interest. Although the RAB holes did not transect the full thickness of the mineralized zone in the area, they are important as they demonstrate that the VG zone mineralization continues to the NE of the current resource area. Furthermore, when combined with previously reported RAB hole number 6 (16QVV006), it indicates over 200m of strike potential to the NE direction that should be tested with follow-up diamond drilling.

Hole number 16 (16QVRAB016) was drilled just to the south of the VG deposit and intersected anomalous gold over the top 24.38 m of the hole.

Holes number 17 (16QVRAB017) and hole number 18 were drilled from a single pad 50 m north of diamond drill hole hole number 12 (QV13-012) on the western flank of the VG deposit. Hole number 17 (16QVVRAB-017), drilled to the south at -80°, intersected an upper zone of 12.19 m at 1.59 g/t gold from 24.38 m to 36.58 m down hole and a lower zone of 57.91 m averaging 1.89 g/t gold from 56.39 m to the end of the hole at 114.30 m, separated by 19.81 m with anomalous gold values. The lower intercept included a high-grade section of 12.19 m averaging 5.53 g/t gold from 83.82 m to 96.01 m down hole. Together the holes extended the VG deposit 100m down dip of QV13-12; it remains open and untested to the west in this area.

Hole number 18 (16QVRAB018), drilled to the north at -70°, intersected 4.57m at 0.99 g/t gold from 36.58 to 41.15 m and 18.29 m averaging 1.14 g/t gold between 85.34 m and 103.63m down hole, ending in the mineralized zone due to high water and loss of recovery.

Holes number 19 to 21 (16QVRAB019-021) were drilled from a single pad located 90 m southwest of QV13-012. All three holes were abandoned far short of their target depths due to strongly fractured/broken ground associated with faulting in the area; hole number 19 (16QVRAB019), however, intersected 6.10 m averaging 0.21 g/t gold from 7.62 to 13.72 m depth.

Holes number 22 to 23 (6QVRAB022-23) were drilled 110 & 135m downhill, respectively, to the south of holes number 19 to 21 (16QVRAB019-021) in order to test the western extent of the VG zone soil anomaly and anomalous GT Probe samples in the area. These holes were also abandoned short of target depth due to strongly oxidized and highly fractured ground conditions; both intersected gold mineralization over most of their lengths (see Table 3).

Hole 24 (16QVRAB024) was drilled 750 m WSW along strike of the VG deposit on an extension of the related gold-in-soil anomaly and along the Telegraph fault trend ([see Map 1a](#)). The hole was collared 90 m east of the soil anomaly due to topographic constraints. It intersected 9.15 m averaging 0.326 g/t gold starting at 35.05 m down hole. The mineralization is hosted within strongly sericite altered felsic gneiss along a ENE oriented fault zone that appears to be a western extension of the Telegraph fault, and indicates strong potential for additional mineralization to the west of the current deposit.

Holes 25 to 31 (16QVRAB025-31) were drilled along a 460 m length of the Spirit fault at the Shadow zone, 12 km north of the VG deposit area ([see Map 2](#)). Only hole 16QVRAB025 reached its intended target depth due to significant groundwater encountered in holes 26 – 31. Anomalous gold (>0.1 g/t) was intersected in 5 of the 7 drill holes. The strongest mineralization intercepted was in Hole 29 (16QVRAB029), which was drilled to the south and intersected 9.14 m averaging 0.662 g/t gold at the bottom of the hole; including 1.52m of 1.07 g/t. Mineralization at Shadow is hosted within strongly fractured Kspar augen orthogneiss, with the strongest mineralization associated with zones of sericite alteration and quartz veining. Additional drilling will be required to fully test the potential of the Spirit fault in the area drilled and to investigate other areas of the 2500 m by 450 m target area.

Holes 32-34 (16QVRAB032-34) were drilled from a single pad on the eastern end of the gold-in-soil anomaly at the Stewart zone, located 5 km north of the VG deposit ([see Map 3](#)). Hole 32 was drilled to the north and completed to a depth of 147.83 m at -60. Hole 33 was attempted to be drilled to the west at a -60 but failed at 13.72m depth due to poor ground conditions. Hole 34 was drilled at -90. The most significant results returned were from hole 32; consisting of 64.01m of 0.103 g/t. The mineralization is associated strongly silicified felsic gneiss and, locally, amphibolite, with quartz stockwork veining and >5% disseminated sulfides along an interpreted E-W oriented fault. The fault is coincident with a 1200m x 175m trend of anomalous gold-in-soils and coincident resistivity anomalies. Altered quartz-feldspar porphyry dikes are also common in the area, but their relationship to mineralization is currently unknown. Additional drilling will be required to fully evaluate the potential of the Stewart zone.

A total of 26 of the 34 holes drilled during the 2016 RAB program were also surveyed using an optical downhole televiwer. The televiwer collects gyroscopic and magnetically oriented high resolution imagery down the drill hole for the collection of in situ structural data. Interpretation and analysis of the televiwer data is ongoing and will help refine the geologic interpretation of the area to aid in future drill targeting.

**Table 2: QV RAB Drill Hole Information**

| Drill Hole  | Easting (m)* | Northing (m)* | Elevation (m) | Azimuth | Dip | Depth (m) |
|-------------|--------------|---------------|---------------|---------|-----|-----------|
| 16QVVRAB001 | 574627       | 7015937       | 517           | 340     | -60 | 96.01     |
| 16QVVRAB002 | 574627       | 7015937       | 517           | 160     | -60 | 100.58    |
| 16QVVRAB003 | 574656       | 7016016       | 526           | 160     | -60 | 100.58    |
| 16QVVRAB004 | 574652       | 7015893       | 523           | 340     | -65 | 121.92    |
| 16QVVRAB005 | 574731       | 7016158       | 559           | 160     | -65 | 28.96     |
| 16QVVRAB006 | 574703       | 7016220       | 563           | 160     | -60 | 94.49     |
| 16QVVRAB007 | 574783       | 7016227       | 580           | 160     | -65 | 100.58    |
| 16QVVRAB008 | 574813       | 7016165       | 571           | 160     | -65 | 141.72    |
| 16QVVRAB009 | 574899       | 7016214       | 586           | 160     | -65 | 134.11    |
| 16QVVRAB010 | 574713       | 7016197       | 561           | 160     | -55 | 45.72     |
| 16QVVRAB011 | 574705       | 7016096       | 542           | 160     | -55 | 100.58    |
| 16QVVRAB012 | 574705       | 7016096       | 542           | 340     | -50 | 32.00     |
| 16QVVRAB013 | 574508       | 7016289       | 494           | 160     | -60 | 64.01     |
| 16QVVRAB014 | 574519       | 7016196       | 495           | 160     | -55 | 82.30     |
| 16QVVRAB015 | 574519       | 7016196       | 495           | 20      | -60 | 41.15     |
| 16QVVRAB016 | 574546       | 7016058       | 471           | 160     | -60 | 67.06     |
| 16QVVRAB017 | 574359       | 7016048       | 528           | 160     | -80 | 150.00    |
| 16QVVRAB018 | 574359       | 7016048       | 528           | 340     | -70 | 103.63    |
| 16QVVRAB019 | 574299       | 7015940       | 504           | 160     | -60 | 15.24     |
| 16QVVRAB020 | 574299       | 7015940       | 504           | 160     | -65 | 18.29     |
| 16QVVRAB021 | 574299       | 7015940       | 504           | 160     | -90 | 24.38     |
| 16QVVRAB022 | 574302       | 7015827       | 466           | 160     | -60 | 22.86     |
| 16QVVRAB023 | 574312       | 7015804       | 466           | 160     | -60 | 19.81     |
| 16QVVRAB024 | 573696       | 7015686       | 516           | 160     | -60 | 82.30     |
| 16QVVRAB025 | 568757       | 7026647       | 528           | 0       | -60 | 100.58    |
| 16QVVRAB026 | 568954       | 7026507       | 467           | 0       | -60 | 51.82     |
| 16QVVRAB027 | 569069       | 7026493       | 456           | 0       | -60 | 36.58     |
| 16QVVRAB028 | 569170       | 7026444       | 439           | 0       | -60 | 73.15     |
| 16QVVRAB029 | 568997       | 7026591       | 506           | 180     | -70 | 62.48     |
| 16QVVRAB030 | 569045       | 7026568       | 485           | 180     | -60 | 25.91     |
| 16QVVRAB031 | 569045       | 7026568       | 483           | 180     | -80 | 48.77     |
| 16QVVRAB032 | 576252       | 7020498       | 628           | 0       | -60 | 147.83    |
| 16QVVRAB033 | 576255       | 7020499       | 629           | 90      | -60 | 13.72     |
| 16QVVRAB034 | 576253       | 7020502       | 632           | 0       | -90 | 109.73    |

\*UTM Zone NAD 83 Zone 7

#### *Methodology and QA/QC*

The Ground Truth Exploration Inc. RAB drill that was utilized for the 2016 RAB program has the capability of drilling a 90 mm hole to a depth of 100-150 m, depending on ground conditions. The RAB drill rig is on a remotely-controlled track mounted platform which can be moved to nearby sites without helicopter support. Each sample represents 1.524 m of length down hole.

The analytical work reported on herein was performed by Bureau Veritas Commodities Canada Ltd., an internationally recognized analytical services provider, at its Vancouver, British Columbia laboratory. Sample preparation was carried out at its Whitehorse, Yukon facility. All samples were prepared using procedure PRP70-250 (crush, split and pulverize 250 g to 200 mesh) and analyzed by method FA430 (fire assay with AAS finish) and AQ200 (aqua regia digestion and ICM-MS). The Company follows industry standard procedures for the work carried out on the QV Project, with a quality assurance/quality control (QA/QC) program. Blank, duplicate and standard samples were inserted into the RAB sample sequence sent to the laboratory for analysis. Comstock detected no significant QA/QC issues during review of the data.

#### *Qualified Persons*

Jodie Gibson, P.Geo. of Groundtruth Exploration Inc., a Qualified Person as defined by National Instrument 43-101, has supervised the exploration work and RAB drilling program at the QV Project and reviewed, verified (including sampling, analytical and test data) and compiled the data reported herein. David A. Terry, Ph.D., P.Geo., a Qualified Person as defined by National Instrument 43-101, and an Officer and Director of Comstock, has reviewed and approved the scientific and technical disclosure relating to the 2016 QV exploration program.

Detailed maps of the property and exploration results as well as photographs may be found on the Company's website: [http://comstock-metals.com/projects/yukon/qv\\_project/](http://comstock-metals.com/projects/yukon/qv_project/)

#### **Preview SW Gold Project**

On September 14, 2016, the Company and Select Sands Corp. (TSX-V:SNS) ("Select Sands") completed a transaction pursuant to which the Company purchased Select Sands' Preview SW gold project located in the La Ronge district of Saskatchewan and early-stage Old Cabin property in Ontario. The Company acquired the Assets in exchange for 20 million common shares (the "Shares") in the capital of the Company and the assumption of certain liabilities associated with the Assets. The closing price of the Shares on September 14, 2016 was \$0.25 per share and this was used to give the Assets a total value of \$5,000,000. The Company allocated 95% of the cost to Preview SW at \$4,940,000 and 5% of the cost to Old Cabin at \$260,000.

Given that Comstock and Select Sands have certain directors that serve as directors of both Comstock and Select Sands, each board appointed independent committees to review the transaction. Furthermore, each committee received independent fairness opinions confirming that the transaction is fair from a financial perspective to the shareholders of each of Comstock and Select Sands.

The Preview SW gold project is located 40 km north of La Ronge, Saskatchewan and 80 km southwest of Silver Standard Resources Inc.'s Seabee gold mine. The mineral rights to the 843 ha property are 100% owned by Comstock. Private company North-Sask Ventures Ltd. hold a 2.5% NSR of which an initial 1% may be purchased for \$1 million and the remaining 1.5% for \$2 million at any time prior to production decision. In addition, the following payments must be made to North-Sask Ventures: 1) \$60,000 upon receipt of a positive feasibility study and, 2) issuance of such number common shares of Comstock, determined by dividing \$87,500 by the closing price of the Company's common shares on the TSXV on the day before the acceptance by the TSXV of the transaction with Select Sands, upon making a production decision.

The Preview SW project database contains results from 162 core holes, totaling 26,250 m, drilled between 1985 and 2013. Of these, 136 were drilled on the main Preview SW deposit and form the basis for a NI 43-101 [Resource Estimate](#) (see September 28, 2016 news release) that included:

- Indicated resources containing 158,300 ounces of gold (2.61 million tonnes grading 1.89 g/t Au) based on a 0.50 g/t Au cut-off grade.
- Inferred resources containing 270,800 ounces of gold (5.70 million tonnes grading 1.48 g/t Au) based on a 0.50 g/t Au cut-off grade.

On September 28, 2016, the Company filed a NI 43-101 Technical Report entitled "Technical Report, Preview SW Gold Project, La Ronge, Saskatchewan" dated September 27, 2016 under the Company's profile on SEDAR. The filing of this report follows the Company's acquisition of the Preview SW project and supports the current mineral resource estimate for the Preview SW gold deposit referred to therein. This resource estimate was conducted by GeoSim Services Inc. Ronald G. Simpson, P. Geo., of GeoSim, is the Qualified Person, as defined under National Instrument 43-101, responsible for the resource estimates. Mineral resources have been classified using the definitions set out in CIM (2010).

The main Preview SW deposit is comprised of several sub-parallel northeast-trending gold-bearing quartz-sulphide mineralized structural zones, 500 m in strike length and totaling 150 m in width. Preliminary metallurgical test work indicates total gold recovery in concentrates ranged from 90% to 93% (see September 27, 2016 43-101 [Technical Report](#)).

In addition, there are six additional known gold zones on the property with only limited drilling. At the Preview North zone, located 2.6 km northeast of the Preview SW deposit, drill hole PR13-163 intersected:

- 17.98 g/t Au over 5.71 m starting at 10 m below surface;
- 5.96 g/t Au over 5.66 m starting at 19 m below surface; and,
- 1.88 g/t Au over 21.26 m starting at 29 m below surface

There has been insufficient drilling at the Preview North zone to determine the attitude of the reported mineralized intervals and, therefore, the above mineralized intersections may not represent true widths. No drilling has been carried out for over 600 m to the south of this hole.

On December 19, 2016, the Company announced that it is finalizing plans for a winter exploration program on the Preview SW project and that further information on the planned program will be provided in early 2017.

## **Old Cabin Project**

A 100% interest in the Old Cabin project was acquired by Comstock as part of the transaction with Select Sands described above in the Preview SW project section. 1,118 ha Old Cabin project is located 80 km northeast of Wawa, Ontario and 10 km east of Richmond Mines' Island Gold Mine. The property has had surface sampling and geological mapping carried out, resulting in the discovery of 13 discrete gold zones, all associated with shear zones and strong iron carbonate alteration.

## **Patterson Lake North East, Saskatchewan, Canada**

In November 2014, the Company staked claims in the Cree-Key Lake and Patterson Lake areas of the Athabasca Basin of Saskatchewan. The Cree-Key Lakes claims have lapsed whereas the Patterson South Uranium claims are active. The Company's two claims lie along similar corridors to Fission Uranium's Patterson Lake South (PLS) uranium deposit, and Nexgen Energy's recent Arrow discovery. Comstock intends to embark on a staged and systematic exploration program starting with an airborne geophysics reconnaissance survey aiming to delineate "conductors" that could carry Uranium mineralization along the above mentioned corridors. This would be followed by additional ground geophysical work which could delineate high potential drill targets for further testing. The Company does not have any immediate plans to further explore the Patterson Lake property and record an impairment of \$534,350 during the year ended September 30, 2016.

## **Mexico**

The Corona Gold-Silver Project is in the Ocampo-Uruachic District of western Chihuahua, Mexico - a centre of gold and silver production for over 300 years. As a result of Fresnillo PLC's discovery of the Orisyvo gold deposit (Indicated & inferred resources: 2.72 million ounces of gold in oxides and 6.51 million ounces of gold in sulphides), the Uruachic district has drawn the attention of a number of gold exploration companies in addition to Comstock.

During the year ended September 30, 2013, the Company completed all option requirements and earned a 50% interest in the Corona Property. During the year ended September 30, 2014, the Company recognized impairment of \$1,260,806 to write down the property to \$1.

On December 7, 2015, Golden Goliath Resources Ltd., which holds the other 50% interest in the Corona property, announced that it had signed an option agreement with Fresnillo PLC that includes the Corona property. Under the terms of the agreement, Fresnillo PLC may earn a 100% interest (subject to a 1% NSR half of which may be purchased for US\$500,000) in the Corona property as well six other properties held by Golden Goliath by making cash payments totaling US\$3 million over 3 years and by paying all mining rights (property taxes) and conducting all assessment work required to keep the properties in good standing. Comstock estimates its potential share of these option payments to be US\$200,000 if all option payments are made by Fresnillo PLC over the three year period. Fresnillo PLC has the right to terminate the option agreement at any time. During the three months ended December 31, 2016, the Company received \$9,590 in option payments from Golden Goliath (2015 - \$Nil).

### Results of Operations for the Three Months Ended December 31, 2016

For the three months ended December 31, 2016, the Company incurred a comprehensive loss of \$152,978 (2015 – \$11,610). The increase in loss of \$141,368 is due in part to the following differences between the two periods:

- Investor relations increased to \$19,044 (2015 - \$649) due to the Company starting a new investor relations campaign in during 2016.
- Management fees increased to \$45,000 (2015 - \$Nil) due to the Company hiring a new CEO during 2016. The CEO did not take any fees during the 2015 period
- Office, administrative and miscellaneous expenses increased to \$27,776 (2015 - \$2,581) due to increased corporate activity and the use of more consultants.
- Professional fees increased to \$11,491 (2015 - \$3,732) due to increased corporate activity.
- Share based compensation increased to \$44,269 (2015 - \$Nil) due to the Company granting 200,000 stock options in the current period.
- Travel increased to \$11,858 (2015 - \$Nil) due to the Company's management traveling to mineral properties and investor meetings.

As at December 31, 2016, exploration and evaluation assets totaled \$10,831,410 (September 30, 2016 - \$10,429,000).

### Cash Flows

For the three months ended December 31, 2016, the Company's net cash used in operating activities was \$339,947 compared to \$23,231 received in the comparative 2015 period. The increase is consistent with the Company's increased exploration activities in the current period.

Net cash used in investing activities for the three months ended December 31, 2016 was \$401,410 compared to \$Nil in the comparative period. The Company has increased exploration spending on its QV Gold Project in light of current market conditions.

The Company's cash (decreased) increased by \$(741,357) during the three months ended December 31, 2016 compared to \$23,231 in the comparative period. The Company's cash balance as of December 31, 2016 was \$1,379,036 compared to \$49,515 at December 31, 2015.

### Summary of Quarterly Results

This table sets forth selected quarterly financial information for each of the last eight quarters:

| Three Months Ended                     | Dec. 31 2015<br>\$ | Sep. 30 2016<br>\$ | Jun. 30 2016<br>\$ | Mar. 31 2016<br>\$ | Dec. 31 2015<br>\$ | Sept. 30 2015<br>\$ | Jun. 31 2015<br>\$ | Mar. 31 2015<br>\$ |
|----------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|--------------------|
| Total revenues                         | 9,590              | 9,900              | -                  | -                  | -                  | -                   | -                  | -                  |
| Net and comprehensive (loss) profit    | (152,978)          | (1,261,264)        | (164,675)          | (195,704)          | (11,610)           | 381,722             | (16,517)           | (45,647)           |
| Net loss per share – Basic and diluted | \$(0.00)           | \$(0.05)           | \$(0.01)           | \$(0.01)           | \$(0.00)           | \$0.02              | \$(0.00)           | \$(0.00)           |

The above quarterly results were prepared in accordance with International Financial Reporting Standards ("IFRS") and are restated for the 5 to 1 share consolidation completed on May 16, 2016. The increase in loss for quarter ending September 30, 2016 is mostly due to the impairment of the Patterson Lake property and the granting and vesting of stock options. The December 31, 2016 loss of \$108,709 is lower than the prior periods due to the Company reducing operations for the winter season.

### **Liquidity**

As of December 31, 2016, the Company has working capital of \$1,178,089 (September 30, 2016 - \$1,687,862) and cash on hand of \$1,379,036 (September 30, 2016 - \$2,120,393). This working capital consisted primarily of cash less accounts payable and accrued liabilities.

### **Capital Resources**

On February 27, 2017 (the "Closing Date"), the Company closed a non-brokered private placement for an aggregate of \$2,643,126 comprising 13,344,157 of units ("Units") and up to 3,563,900 flow-through units ("FT Units").

Each Unit is priced at \$0.15 and consists of one common share in the capital of the Company (a "Share") and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.20 per Share for a period of 24 months from the Closing Date. Each FT Unit is priced at \$0.18 and consists of one flow-through common share in the capital of the Company (a "FT Share") and one-half of one non-transferable common share purchase warrant (each whole warrant a "FT Warrant"). Each FT Warrant will entitle the holder thereof to purchase one additional non flow-through common share of the Company (a "Share") at an exercise price of \$0.20 per Share for a period of 24 months from the Closing Date.

The Warrants and FT Warrants include an acceleration clause, whereby, if the weighted average trading price of the Company's common shares on the TSX Venture Exchange (or such other exchange on which the common shares may trade) is at a price equal to or greater than \$0.40 for a period of 20 consecutive trading days, the Company has the right to accelerate the expiry date of the Warrants and FT Warrants. If the Company exercises such right, it will give written notice to the holders of the Warrants and FT Warrants that such warrants will expire 30 days from the date of notice to the warrant holders. Such notice by the Company to the holders of the Warrants and FT Warrants may not be given until 4 months and one day after the Closing Date.

The Company will use the gross proceeds of the offering of FT Units for eligible exploration expenditures, which will constitute "Canadian Exploration Expenses" ("CEE") that are "Flow-Through mining expenditures", as defined in the *Income Tax Act* (Canada) which can be renounced to purchasers of the FT Units for the 2017 taxation year in the aggregate amount of not less than the total amount of the gross proceeds raised from the flow-through offering. The CEE shall be incurred no later than December 31, 2018. The proceeds from the offering of Units will be used to fund exploration on the Company's mineral properties and for general working capital.

In connection with the closing of the financing, the Company paid finders an aggregate commission of \$58,319 and issued an aggregate of 352,898 compensation options. Each compensation option entitles the holder thereof to acquire one Unit at a price of \$0.15 per Unit for a period of 24 months from the Closing Date.

The securities issued in this financing are subject to a hold period that expires on June 28, 2017.

The Company has financed its operations primarily by the issuance of share capital. The continued operations of the Company are largely dependent on the sale of equity securities to raise capital. Details of the Company's financing activities can be found in Note 7 of the Company's condensed consolidated interim financial statements for the three months ended December 31, 2016.

### **Off-Balance Sheet Arrangements**

The Company has not entered any off-balance sheet arrangements.

### **Annual General Meeting**

At the Company's Annual General Meeting of Shareholders held on Monday February 27, 2017, incumbent directors David Terry, Doug Turnbull, Steven Goldman and Rasool Mohammad were re-elected to the Board of Directors of the Company, and Ken Kuchling and Jeffrey Gregory were elected as new directors. At the Meeting, Shareholders also approved the number of directors, approved and ratified the Company's stock option plan, and re-appointed Dale Matheson Carr-Hilton LaBonte LLP, Chartered Accountants, as auditor of the Company.

### **Board of Directors and Officers**

#### ***David A. Terry, President & CEO / Director***

Dr. Terry is a professional economic geologist, senior executive and corporate director with more than 25 years' of international experience in the mineral resources sector. In the course of his career Dr. Terry has held executive positions and directorships with a number of publicly-listed and private mineral resource companies. He has also worked with a number of senior mining companies including Boliden Limited, Westmin Resources Limited, Hemlo Gold Mines Inc., Cominco Limited and Gold Fields Mining Corporation. Dr. Terry holds a B.Sc. and Ph.D. in geology from Western University in Ontario and is a member of the Association of Professional Engineers and Geoscientists of British Columbia.

#### ***Rasool Mohammad, Chairman / Director***

Mr. Mohammad has worked in mining and mineral exploration industry throughout the Americas. He graduated from the NWFP University of Engineering and Technology, Peshawar, Pakistan in 1991 with a B.Sc. (Mining Engineering). He has over 20 years of work experience in the mining and mineral exploration industry. He speaks English, Spanish, Urdu and Pashto. Mr. Mohammad is also COO / Director of Select Sands Corp (trading on TSX.V as symbol SNS).

***Douglas Turnbull, Director***

Mr. Turnbull is a consulting geologist with over 25 years experience in diamond, precious and base metal exploration. He holds an Honours Bachelor of Science degree in Geology and is a Qualified Professional Geoscientist recognized by the Association of Professional Engineers and Geoscientists of British Columbia. Doug is the President of Lakehead Geological Services Inc., a geological consulting company based in Vancouver, Canada, and provides a variety of exploration services to exploration and mining companies. Doug has been fortunate to have been part of mining teams responsible for the exploration and development of the Eskay Creek Gold Deposit in British Columbia, Canada, the Petaquilla Cu-Au Porphyry Deposit in Panama, the Mt. Kare Gold Deposit in Papua New Guinea and the OJVG Sabodala Gold Deposits in Senegal. Currently Doug serves as a director on the boards of Grizzly Discoveries Inc. (trading on TSX.V as symbol GZD) and Select Sands Corp.

***Ken Kuchling, Director***

Mr. Kuchling brings with him over 35 years' experience in mine engineering, mining operations and consulting across a variety of commodities including precious metals, base metals, bauxite, iron ore, tungsten, molybdenum as well as diamonds and potash. Throughout his consulting career he has had direct involvement in scoping and feasibility studies, project management, 43-101 technical reports, economic modelling, mine design, and environmental permitting. Mr Kuchling has project experience working in various regions in Canada, Alaska, Mexico, Panama, Argentina, Suriname, Russia, South Korea, Italy, Spain, and Senegal. He was involved in the design stage and environmental permitting of the Diavik Diamond Project in the Northwest Territories and has experience with tropical to Arctic mining conditions.

Mr. Kuchling is a mining engineering graduate from McGill University and holds a Masters of Mine Engineering from University of British Columbia. He is also a member of Professional Engineers Ontario (PEO) and currently lives in Toronto Ontario.

***Jefferson Gregory, Director***

Mr. Gregory is a businessman and investor specializing in the pharmaceutical sector. Throughout his career he has been involved in founding and operating a number successful companies, including NYSE-listed King Pharmaceuticals, Inc. between 1993 and 2004 and Graceway Pharmaceuticals LLC from 2006-2011. Mr. Gregory is the listed inventor on numerous awarded USPTO patents and he serves, or has served, as a member of the Board of Directors of multiple pharmaceutical, academic and charity organizations. Mr. Gregory or his transactions in the pharmaceutical industry have won numerous business awards and have been featured on multiple occasions in, among others, The Wall Street Journal, Forbes Magazine, Smart Money Magazine, Business Week, and CNBC. His strategies and methods have been taught as case studies at The Wharton School at The University of Pennsylvania.

Mr. Gregory graduated from the University of Maryland in 1979 with a BS degree in Pharmacy and from the University of Maryland in 1985 with a Juris Doctorate Degree. He also holds an honorary Doctor of Laws degree conferred upon him by King University, TN.

**Steven H. Goldman, Director**

Steven H. Goldman is a senior partner in the Toronto law firm of Goldman Hine LLP. Before joining that firm, he successfully led the restructuring and turnaround of the Speedy Auto Service and Minute Muffler franchise systems as their President and CEO from December 2007 until December 2009. Mr. Goldman graduated from Carleton University in 1976 (BA, President's Medal) and from Queen's University in 1980 (LLB/JD). Mr. Goldman was called to the Bar in Ontario in 1982. He is a member of the Executive of the Ontario Bar Association, Franchise Section, the Law Society of Upper Canada, the American Bar Association Forum on Franchising, and the Institute of Corporate Directors. He is also a former Director of Tribute Pharmaceuticals Inc., Alegro Health Corp. and Select Sands Corp.

**Darren Urquhart, CFO**

Mr. Urquhart is a Chartered Professional Accountant with more than 15 years of experience working in both public practice and industry. Mr. Urquhart is presently engaged in public practice accounting offering CFO and accounting services to TSX Venture Exchange listed exploration companies in the Vancouver area. Mr. Urquhart began his career working as an audit accountant with Grant Thornton LLP, then later worked as a senior tax accountant with Lohn Caulder Chartered Accountants and more recently served as a consultant to an international private equity company. Mr. Urquhart obtained his Chartered Accountant designation in 2001 and is a member of the Institute of Chartered Accountants of British Columbia. In 1995, Mr. Urquhart obtained his B.A.Sc. (Electrical Engineering) from the University of British Columbia.

**Transactions with Related Parties**

The Company incurred the following transactions with related parties during the three months ended December 31, 2016 and 2015:

**Key management personnel compensation**

|                                              | December 31,<br>2016 | December 31,<br>2015 |
|----------------------------------------------|----------------------|----------------------|
| Administration, director and consulting fees | \$ 20,500            | \$ 3,000             |
| Management fees                              | 45,000               | -                    |
|                                              | <b>\$ 65,500</b>     | <b>\$ 3,000</b>      |

**Related party balances included in accounts payable and accrued liabilities**

|                                                | December 31,<br>2016 | September 30,<br>2016 |
|------------------------------------------------|----------------------|-----------------------|
| Due to directors for reimbursement of expenses | \$ 578               | \$ 13,201             |
| Due to company with common directors           | 2,184                | 6,643                 |
|                                                | <b>\$ 2,762</b>      | <b>\$ 19,844</b>      |

The Company paid \$6,039 to Select Sands for shared rent and office service during the three months ended December 31, 2016 (2015 - \$Nil). The two companies have directors in common.

During the year ended September 30, 2016, the Company acquired the Preview SW and Old Cabin properties from Select Sands.

## **Proposed Transactions**

As is typical of the mineral exploration and development industry, the Company is continually reviewing potential acquisition and joint venture transactions and opportunities that could enhance shareholder value. At present, there are no transactions being contemplated by management or the board that would affect the financial condition, results of operations and cash flows, other than in the normal course of the Company's business.

## **Critical Accounting Estimates**

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition and exploration costs are capitalized and deferred until such time as the property is put into production, or the property is disposed of either through sale or abandonment. If put into production, the costs of acquisition and exploration will be written off over the life of the property, based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property, with any excess included in operations for the year. If a property is abandoned, the acquisition and deferred exploration costs will be written off to operations.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is not aware of any disputed claims of title.

Recorded costs of mineral properties and deferred exploration expenditures are not intended to reflect present or future values of mineral properties. The costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

Management reviews capitalized costs on its mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from sale of the property.

The Company measures the cost of the service received for all stock options made to consultants, employees and directors based on an estimate of fair value at the date of grant. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. Stock options which vest immediately are recorded at the date of grant. Stock options that vest over time are recorded over the vesting period using the straight line method. Stock options issued to outside consultants that vest over time are valued at the grant date and subsequently re-valued on each vesting date and expensed as services are rendered. Stock based compensation is recognized as expensed or, if applicable, capitalized to mineral property costs with a corresponding increase in contributed surplus. On exercise of the stock option, consideration received and the estimated fair value previously recorded in contributed surplus is recorded as share capital.

## **Financial Instruments and Other Instruments**

The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. As of the date hereof, the Company's investment in resource properties has full exposure to commodity risk, both upside and downside. As the metal prices move so does the underlying value of the Company's metal projects.

### Outstanding Share Data as of the Report Date

As of the date of this report, there was an aggregate of 73,409,812 common shares issued, 34,291,897 warrants outstanding at a weighted average exercise price of \$0.51 and 3,521,000 stock options outstanding at a weighted average exercise price of \$0.35.

A summary of the warrants outstanding as of the date of this report follows:

| Expiry date       | Quantity   | Exercise price |
|-------------------|------------|----------------|
| July 5, 2017      | 296,500    | \$3.00         |
| July 31, 2017     | 1,681,800  | \$3.00         |
| August 20, 2017   | 1,774,766  | \$3.00         |
| June 10, 2018     | 10,458,397 | \$0.18         |
| June 10, 2018     | 30,333     | \$0.15         |
| * June 10, 2018   | 337,050    | \$0.12         |
| June 28, 2018     | 2,048,274  | \$0.18         |
| June 28, 2018     | 9,310      | \$0.15         |
| * June 28, 2018   | 52,962     | \$0.12         |
| July 26, 2018     | 2,120,000  | \$0.35         |
| ** July 26, 2018  | 3,500      | \$0.25         |
| February 27, 2017 | 15,126,107 | \$0.20         |
| February 27, 2017 | 352,898    | \$0.15         |
|                   | 34,291,897 |                |

\* Each Broker unit entitles the holder thereof to purchase one unit of the Company until June 10, 2018 at an exercise price of \$0.12 per unit. Each unit consists of one common share of the Company and one common share purchase warrant of the Company with an exercise price of \$0.18.

\*\* Each Unit broker warrant entitles the holder thereof to purchase one unit of the Company until July 26, 2018 at an exercise price of \$0.25 per unit. Each unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company with an exercise price of \$0.35.

A summary of the options outstanding as of the date of this report follows:

| Expiry date        | Quantity  | Exercise price |
|--------------------|-----------|----------------|
| March 27, 2017     | 60,000    | \$1.50         |
| September 4, 2017  | 41,000    | \$1.60         |
| February 5, 2018   | 100,000   | \$1.05         |
| March 17, 2021     | 850,000   | \$0.25         |
| April 7, 2021      | 120,000   | \$0.25         |
| May 20, 2021       | 520,000   | \$0.15         |
| August 15, 2021    | 1,630,000 | \$0.355        |
| September 16, 2021 | 200,000   | \$0.28         |
|                    | 3,521,000 |                |

## **Risks and Uncertainties**

The Company is subject to a number of risks and uncertainties due to the nature of its business. The Company's exploration and development activities expose the Company to various financial and operational risks that could have a significant impact on its level of operating cash flows in the future. Readers are advised to study and consider risk factors stressed below.

The following are identified as main risk factors that could cause actual results to differ materially from those stated in any forward-looking statements made by, or on behalf of, the Company.

### **General Resource Exploration Risks and Competitive Conditions**

The resource exploration industry is an inherently risky business with significant capital expenditures and volatile metals markets. The marketability of any minerals discovered may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as market fluctuations, mineral markets and processing equipment, and changes to government regulations, including those relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. This industry is intensely competitive and there is no guarantee that, even if commercial quantities are discovered, a profitable market will exist for their sale. The Company competes with other junior exploration companies for the acquisition of mineral claims as well for the engagement of qualified contractors. Metal prices have fluctuated widely in recent years, and they are determined in international markets over which the Company has no influence.

### **Governmental Regulation**

Regulatory standards continue to change, making the review process longer, more complex and therefore more expensive. Exploration and development on the Company's properties are affected by government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, restrictions on production, price control, tax increases, maintenance of claims, and tenure. There is no assurance that future changes in such regulations couldn't result in additional expenses and capital expenditures, decreasing availability of capital, increased competition, reserve uncertainty, title risks, and delays in operations. The Company relies on the expertise and commitment of its management team, advisors, employees and contractors to ensure compliance with current laws.

### **Approval**

The Board of Directors of Comstock Metals Ltd. has approved the contents of this Management Discussion and Analysis as of the date of this report.

### **Additional Information**

Additional information concerning the Company and its operations is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company website at [www.comstock-metals.com](http://www.comstock-metals.com)

### **Cautionary Note Regarding Forward Looking Statements**

*This MD&A includes some statements that may be considered "forward-looking statements". All statements in this discussion that address the Company's expectations about future exploration and development are forward-looking statements. Although the Company believes the expectations presented in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration successes, availability of capital and financing, and general economic, market, and business conditions. Readers are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.*