

**Comstock Metals Ltd.**  
**Condensed Interim Consolidated Financial Statements**  
**Six Months Ended March 31, 2014**

**Expressed in Canadian Dollars**  
**(Unaudited)**

#### **NOTICE TO READER**

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

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

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

Comstock Metals Ltd.  
Consolidated statements of financial position  
(Expressed in Canadian dollars – unaudited)

	Notes	March 31, 2014	September 30, 2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	\$ 500,256	\$ 1,172,787
Receivables	4	7,908	48,697
Prepaid expenses		12,816	12,032
Current portion of loans	9	-	62,813
		520,980	1,296,329
<b>Non-current assets</b>			
Equipment	5	11,595	13,031
Exploration and evaluation assets	6	6,120,092	5,909,665
		6,131,687	5,922,696
<b>TOTAL ASSETS</b>		<b>\$ 6,652,667</b>	<b>\$ 7,219,025</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payables and accrued liabilities	7	\$ 9,310	\$ 209,025
Flow-through tax liability	8	-	64,574
<b>TOTAL LIABILITIES</b>		<b>9,310</b>	<b>273,599</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	8,571,866	8,571,866
Share-based payment reserve	8	1,009,668	1,009,668
Deficit		(2,938,177)	(2,636,108)
<b>TOTAL EQUITY</b>		<b>6,643,357</b>	<b>6,945,426</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 6,652,667</b>	<b>\$ 7,219,025</b>

Approved on behalf of the Board:

<u>"Rasool Mohammad"</u>	Rasool Mohammad
<u>"Larry Johnson"</u>	Larry Johnson

Comstock Metals Ltd.  
Consolidated statements of comprehensive loss  
(Expressed in Canadian dollars – unaudited)

	Note	Three month periods ended		Six month periods ended	
		March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
<b>Expenses</b>					
Amortization		\$ 1,554	\$ 2,935	\$ 3,109	\$ 2,935
Filing fees		7,731	14,911	11,658	29,275
Investor relations		19,285	36,595	29,526	85,984
Management fees	9	106,800	46,800	153,600	93,600
Office, administrative and miscellaneous	9	84,412	57,564	129,909	85,450
Professional fees		5,100	12,380	13,766	12,981
Rent	9	12,850	18,184	25,600	30,184
Stock-based compensation		-	188,148	-	215,580
Travel		648	397	3,070	6,431
		<b>(238,380)</b>	<b>(377,914)</b>	<b>(370,238)</b>	<b>(562,420)</b>
<b>Other items</b>					
Impairment of exploration and evaluation assets		-	-	-	(2,930)
Interest income		1,272	8,388	4,702	14,864
Other income		-	-	-	-
Flow-through liability reversed	8	-	236,842	64,574	279,754
Flow-through tax penalty		(1,107)	(3,538)	(1,107)	(3,538)
		<b>165</b>	<b>241,692</b>	<b>68,169</b>	<b>288,150</b>
<b>Net and comprehensive loss for the period</b>		<b>\$ (238,215)</b>	<b>\$ (136,222)</b>	<b>\$ (302,069)</b>	<b>\$ (274,270)</b>
<b>Loss per share – basic and diluted</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes to the consolidated financial statements

Comstock Metals Ltd.  
Consolidated statements of changes in equity  
(Expressed in Canadian dollars – unaudited)

	Share capital		Share-based payment reserve	Deficit	Total
	Number of shares	Amount			
<b>Balance at October 1, 2012</b>	<b>64,117,900</b>	<b>\$ 6,434,033</b>	<b>\$ 721,362</b>	<b>\$ (1,881,055)</b>	<b>\$ 5,274,340</b>
Loss for the period	-	-	-	(274,270)	(274,270)
Shares issued for cash – warrant exercise	68,000	22,301	(4,101)	-	18,200
Shares issue for mineral property payment	650,000	139,000	-	-	139,000
Shares issued for cash – private placement (flow-through)	7,894,736	1,500,000	-	-	1,500,000
Flow-through tax liability	-	(236,842)	-	-	(236,842)
Share issue costs	-	(154,406)	29,406	-	(125,000)
Stock-based compensation	-	-	215,580	-	215,580
<b>Balance at March 31, 2013</b>	<b>72,730,636</b>	<b>\$ 7,704,086</b>	<b>\$ 962,247</b>	<b>\$ (2,155,325)</b>	<b>\$ 6,511,008</b>
<b>Balance at October 1, 2013</b>	<b>78,979,754</b>	<b>\$ 8,571,866</b>	<b>\$ 1,009,668</b>	<b>\$ (2,636,108)</b>	<b>\$ 6,945,426</b>
Loss for the period	-	-	-	(302,069)	(302,069)
<b>Balance at March 31, 2014</b>	<b>78,979,754</b>	<b>\$ 8,571,866</b>	<b>\$ 1,009,668</b>	<b>\$ (2,938,177)</b>	<b>\$ 6,643,357</b>

See accompanying notes to the consolidated financial statements

Comstock Metals Ltd.  
Consolidated statements of cash flows  
(Expressed in Canadian dollars – unaudited)

	Six month periods ended	
	March 31, 2014	March 31, 2013
<b>Operating activities</b>		
Net loss	\$ (302,069)	\$ (274,270)
Adjustments for non-cash items:		
Amortization	3,109	2,935
Flow-through tax penalty	-	3,538
Stock-based compensation	-	215,580
Non-cash management fees	60,000	-
Non-cash administrative fees	60,000	-
Non-cash interest income	(632)	-
Flow-through liability reversed	(64,574)	(279,754)
Changes in non-cash working capital items:		
Receivables	44,929	63,667
Prepaid expenses	(784)	(3,457)
Accounts payable and accrued liabilities	(256,269)	(865,103)
<b>Net cash flows used in operating activities</b>	<b>(456,291)</b>	<b>(1,136,864)</b>
<b>Investing activities</b>		
Accrued interest	(4,140)	(10,891)
Expenditures on equipment	(1,673)	(11,739)
Expenditures on exploration and evaluation assets	(210,427)	(641,261)
<b>Net cash flows used in investing activities</b>	<b>(216,240)</b>	<b>(663,891)</b>
<b>Financing activities</b>		
Proceeds on issuance of common shares - net of share issue costs	-	1,393,200
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>1,393,200</b>
Decrease in cash and cash equivalents	(672,531)	(407,555)
Cash and cash equivalents, beginning	1,172,787	2,525,439
<b>Cash and cash equivalents, ending</b>	<b>\$ 500,256</b>	<b>\$ 2,117,884</b>

**1. Nature and continuance of operations**

Comstock Metals Ltd. (the “Company” or “Comstock”) was incorporated on December 13, 2007 under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada and Mexico. The Company’s shares are traded on the TSX Venture Exchange (“Exchange”) under the symbol “CSL”.

The head office, registered office, principal address and records office of the Company are located at 675 West Hastings Street, Suite 701, Vancouver, British Columbia, Canada, V6B 1N2.

These unaudited condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2014 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, loans from directors and companies controlled by directors and or private placement of common shares.

**2. Significant accounting policies and basis of preparation**

The financial statements were authorized for issue on May 26, 2014 by the directors of the Company.

***Statement of compliance***

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Therefore, these financial statements comply with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

These interim financial statements do not include all of the information required of full annual financial statements and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the Company for the year ended September 30, 2013. However, these interim financial statements provide selected significant disclosures that are required in the annual financial statements under IFRS.

***Basis of consolidation***

These consolidated financial statements include the accounts of the Company and its controlled entity. Details of the controlled entity are as follows:

	Country of incorporation	Percentage owned*	
		March 31, 2014	September 30, 2013
Minera Comstock, S.A., de C.V.	Mexico	100%	100%

\*Percentage of voting power is in proportion to ownership.

**3. Cash and cash equivalents**

	<b>March 31, 2014</b>	<b>September 30, 2013</b>
Cash at bank	\$ 92,756	\$ 365,287
Guaranteed investment certificates	407,500	807,500
	<b>\$ 500,256</b>	<b>\$ 1,172,787</b>

**4. Receivables**

	<b>March 31, 2014</b>	<b>September 30, 2013</b>
HST receivable	\$ 3,989	\$ 39,042
Other receivables	3,919	9,655
	<b>\$ 7,908</b>	<b>\$ 48,697</b>

**5. Equipment**

	<b>Computer hardware</b>	<b>Computer software</b>	<b>Camp equipment</b>	<b>Office furniture and equipment</b>	<b>Total</b>
<b>Cost:</b>					
At September 30, 2013	\$ 3,892	\$ 10,305	\$ 2,140	\$ 508	\$ 16,845
Additions	1,673	-	-	-	1,673
At March 31, 2014	\$ 5,565	\$ 10,305	\$ 2,140	\$ 508	\$ 18,518
<b>Amortization:</b>					
At September 30, 2013	\$ 973	\$ 2,576	\$ 214	\$ 51	\$ 3,814
Charge for the period	939	1,932	192	46	3,109
At March 31, 2014	\$ 1,912	\$ 4,508	\$ 406	\$ 97	\$ 6,923
<b>Net book value:</b>					
At September 30, 2013	\$ 2,919	\$ 7,729	\$ 1,926	\$ 457	\$ 13,031
At March 31, 2014	\$ 3,653	\$ 5,797	\$ 1,734	\$ 411	\$ 11,595



**6. Exploration and evaluation assets**

	Canada		Mexico	Total for Six month period ended March 31, 2014	Total for year ended September, 2013
	Kermode and QV	Walhalla	Corona		
<b>Property acquisition costs</b>					
Balance, beginning of period	\$ 398,886	\$ 416,989	\$ 144,833	\$ 960,708	\$ 583,269
Additions	60,000	-	-	60,000	377,439
<b>Balance, end of period</b>	<b>458,886</b>	<b>416,989</b>	<b>144,833</b>	<b>1,020,708</b>	<b>960,708</b>
<b>Exploration and evaluation costs</b>					
Balance, beginning of period	3,766,322	86,244	1,096,391	4,948,957	2,835,594
Costs incurred during period:					
Assays and drilling	29,059	13,522	-	42,581	153,607
Camp and field costs	1,861	-	-	1,861	184,841
Claim maintenance	-	-	9,222	9,222	62,323
Community relations	-	-	-	-	6,975
Consulting	13,530	-	-	13,530	7,500
Drilling	950	-	-	950	439,021
Geochemical	36,523	375	-	36,898	71,758
Geological and geophysics	6,013	1,700	-	7,713	156,848
Helicopter	357	-	-	357	302,392
Maps and reports	3,835	650	-	4,485	66,791
Supplies and equipment	1,107	-	-	1,107	45,104
Travel and accommodation	970	-	-	970	82,267
Trenching	11,075	-	-	11,075	84,244
Vehicle	-	-	-	-	905
Wages and benefits	17,848	1,830	-	19,678	451,717
Write-down due to impairment	-	-	-	-	(2,930)
<b>Balance, end of period</b>	<b>3,889,450</b>	<b>104,321</b>	<b>1,105,613</b>	<b>5,099,384</b>	<b>4,948,957</b>
<b>Total</b>	<b>\$ 4,348,336</b>	<b>\$ 521,310</b>	<b>\$ 1,250,446</b>	<b>\$ 6,120,092</b>	<b>\$ 5,909,665</b>

**6. Exploration and evaluation assets (cont'd)**

The following is a description of the Company's exploration and evaluation assets and the related spending commitments:

***Kermode and QV Property, Yukon, Canada***

On August 27, 2010, the Company entered into an option agreement to acquire a 100% undivided interest in the Kermode and QV Property located in the Dawson Mining District of Yukon Territory for the following consideration:

Date	Payments	Share issuances	Exploration expenditures
On execution of agreement	\$ 20,000 (paid)	-	\$ -
On or before September 15, 2010	20,000 (paid)	-	-
Within 5 days of Exchange Acceptance Date	-	250,000 (issued)	-
On or before June 22, 2011	40,000 (paid)	250,000 (issued)	-
On or before June 22, 2012	50,000 (paid)	250,000 (issued)	-
On or before October 22, 2012	-	-	220,000 (incurred)
On or before June 22, 2013	60,000 (paid)	250,000 (issued)	-
On or before October 22, 2013	-	-	320,000 (incurred)
On or before June 22, 2014	130,000	250,000	-
On or before October 22, 2014	-	-	420,000 (incurred)
On or before October 22, 2015	-	-	540,000 (incurred)
	\$ 320,000	1,250,000	\$ 1,500,000

The Kermode and 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.

***Walhalla Property, Yukon, Canada***

On July 27, 2012, the Company entered into a binding Letter of Intent ("Walhalla LOI") with Seafield Explorations Ltd. ("Seafield") to purchase a 75% interest in a joint venture with Volcanic Minerals Ltd. for the development of mineral claims of the Walhalla Property. The property will be acquired for the following consideration:

Date	Cash payments	Share issuances
On Date of Transaction Completion	\$300,000 (paid)	500,000 (issued)
Upon 43-101 Technical Report with 500,000 ounce gold resource		500,000
		1,000,000

**6. Exploration and evaluation assets (cont'd)**

***Corona Property, Mexico***

On May 14, 2007, as amended on February 8, 2011, the Company signed a Letter Option Agreement with Golden Goliath Resources Ltd. and its Mexican subsidiary, Minera Delta S.A. de C.V. (collectively "GNG") to earn a 60% interest in the Corona Property, located in the Chihuahua state of Mexico.

The Company's consideration for a 60% interest in the Corona property is as follows:

Date	Share issuances	Exploration expenditures
On Exchange Acceptance date	50,000 (issued)	\$ -
On or before August 10, 2012	100,000 (issued)	-
On or before August 10, 2013	150,000 (issued)	-
On or before February 8, 2014	-	500,000 (incurred)
	300,000	\$ 500,000

Upon earning its 60% interest in the Corona Property, the Company can earn an additional 15% interest from GNG to hold a 75% interest by completing a positive bankable feasibility study by December 31, 2017.

During the year ended September 30, 2013, the Company completed the exercise of the option to acquire a 60% interest in the Corona Property and on April 9, 2013, the Company signed a joint venture agreement with GNG to advance the project. The Company waived its right to acquire an additional 15% interest.

**7. Accounts payable and accrued liabilities**

	March 31, 2014	September 30, 2013
Trade payables	\$ 9,310	\$ 182,284
Accrued liabilities	-	23,203
Flow-through tax penalty payable	-	3,538
	\$ 9,310	\$ 209,025

**8. Share capital**

***Authorized share capital***

Unlimited number of common shares without par value.

***Issued share capital***

At March 31, 2014 and September 30, 2013 there were 78,979,754 issued and fully paid common shares.

There were no shares issued during the six month period ended March 31, 2014.

During the year ended September 30, 2013, the Company recognized a flow-through tax liability of \$64,574 upon issuance of the 5,669,118 flow-through shares. During the six month period ended March 31, 2014, the Company renounced \$963,750 in exploration expenditures and recorded a flow-through tax recovery of \$64,574.

**8. Share capital (cont'd)**

**Escrow**

As of March 31, 2014, 1,110,900 (September 30, 2013 – 2,221,800) common shares are held in escrow and are to be released from escrow on August 12, 2014.

**Basic and diluted loss per share**

The calculation of basic and diluted loss per share for the six month period ended March 31, 2014 was based on the loss attributable to common shareholders of \$302,069 (2013 - \$274,270) and the weighted average number of common shares outstanding of 78,979,754 (2013 – 72,730,636).

Diluted loss per share did not include the effect of 3,765,000 stock options and 20,343,438 share purchase warrants as the effect would be anti-dilutive.

**Stock options**

The changes in options during the Six month period ended March 31, 2014 are as follows:

	<b>March 31, 2014</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>
Options outstanding, beginning	3,890,000	\$ 0.26
Options granted	-	-
Options expired	(125,000)	-
Options outstanding, ending	3,765,000	\$ 0.26
Options exercisable, ending	3,765,000	\$ 0.26

At March 31, 2014, the weighted average remaining contractual life of options outstanding was 2.74 years.

Total stock based compensation expense for the six months ended March 31, 2014 was \$ nil (2013 - \$215,580).

**Warrants**

The changes in warrants during the six month period ended March 31, 2014 are as follows:

	<b>March 31, 2014</b>	
	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Warrants outstanding, beginning	20,343,438	\$ 0.29
Warrants issued	-	-
Warrants exercised	-	-
Warrants outstanding, ending	20,343,438	\$ 0.29

At March 31, 2014, the weighted average remaining contractual life of warrants outstanding was 3.13 years.

**9. Related party transactions**

***Related party balances***

The following amounts due from related parties are included in loans:

	<b>March 31, 2014</b>	<b>September 30, 2013</b>
Current	\$ -	\$ 62,813

These amounts bear interest at a rate of 3% per annum, are unsecured and repayable in three installments of \$62,500 (\$31,250 per loan), in addition to accrued interest, on each anniversary date, beginning on July 28, 2012. As at March 31, 2014, the loans were repaid in full.

***Related party transactions***

The Company incurred the following transactions with companies that are controlled by directors of the Company.

	<b>Six month periods ended</b>	
	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Rent	\$ 25,600	\$ 30,184

***Key management personnel compensation***

	<b>Six month periods ended</b>	
	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Administration fees	\$ 101,190	\$ 37,440
Management fees	153,600	93,600
	\$ 254,790	\$ 131,040