

**Comstock Metals Ltd.**  
**Condensed Interim Consolidated Financial Statements**  
**Nine Months Ended June 30, 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	June 30, 2014	September 30, 2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	\$ 254,767	\$ 1,172,787
Receivables	4	9,167	48,697
Prepaid expenses		11,116	12,032
Current portion of loans	9	-	62,813
		275,050	1,296,329
<b>Non-current assets</b>			
Equipment	5	10,040	13,031
Exploration and evaluation assets	6	6,299,067	5,909,665
		6,309,107	5,922,696
<b>TOTAL ASSETS</b>		<b>\$ 6,584,157</b>	<b>\$ 7,219,025</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payables and accrued liabilities	7	\$ 43,329	\$ 209,025
Flow-through tax liability	8	3,600	64,574
<b>TOTAL LIABILITIES</b>		<b>46,929</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		(3,044,306)	(2,636,108)
<b>TOTAL EQUITY</b>		<b>6,537,228</b>	<b>6,945,426</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 6,584,157</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		Nine month periods ended	
		June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
<b>Expenses</b>					
Amortization		\$ 1,555	\$ 441	\$ 4,664	\$ 3,376
Filing fees		1,270	2,631	12,928	31,906
Investor relations		2,168	30,319	31,694	116,303
Management fees	9	46,800	46,800	200,400	140,400
Office, administrative and miscellaneous	9	31,317	34,686	161,226	120,136
Professional fees		8,800	23,913	22,566	36,894
Rent	9	13,000	13,500	38,600	43,684
Stock-based compensation		-	41,222	-	256,802
Travel		-	319	3,070	6,750
		<b>(104,910)</b>	<b>(193,831)</b>	<b>(475,148)</b>	<b>(756,251)</b>
<b>Other items</b>					
Impairment of exploration and evaluation assets		-	-	-	(2,930)
Interest income		2,381	8,246	7,083	23,110
Other income		-	-	-	-
Flow-through liability reversed	8	-	-	64,574	279,754
Flow-through tax penalty		(3,600)	-	(4,707)	(3,538)
		<b>(1,219)</b>	<b>8,246</b>	<b>66,950</b>	<b>296,396</b>
<b>Net and comprehensive loss for the period</b>		<b>\$ (106,129)</b>	<b>\$ (185,585)</b>	<b>\$ (408,198)</b>	<b>\$ (459,855)</b>
<b>Loss per share – basic and diluted</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>

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	-	-	-	(459,855)	(459,855)
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	-	-	256,802	-	256,802
<b>Balance at June 30, 2013</b>	<b>72,730,636</b>	<b>\$ 7,704,086</b>	<b>\$ 1,003,469</b>	<b>\$ (2,340,910)</b>	<b>\$ 6,366,645</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	-	-	-	(408,198)	(408,198)
<b>Balance at June 30, 2014</b>	<b>78,979,754</b>	<b>\$ 8,571,866</b>	<b>\$ 1,009,668</b>	<b>\$ (3,044,306)</b>	<b>\$ 6,537,228</b>

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

	Nine month periods ended	
	June 30, 2014	June 30, 2013
<b>Operating activities</b>		
Net loss	\$ (408,198)	\$ (459,855)
Adjustments for non-cash items:		
Amortization	4,664	3,376
Flow-through tax penalty	3,600	3,538
Stock-based compensation	-	256,802
Non-cash management fees	60,000	-
Non-cash administrative fees	60,000	-
Non-cash interest income	(632)	-
Impairment of exploration and evaluation assets	-	2,930
Flow-through liability reversed	(64,574)	(279,754)
Changes in non-cash working capital items:		
Receivables	45,981	64,215
Prepaid expenses	916	(4,515)
Accounts payable and accrued liabilities	(257,315)	(587,208)
<b>Net cash flows used in operating activities</b>	<b>(555,558)</b>	<b>(1,000,471)</b>
<b>Investing activities</b>		
Accrued interest	(6,451)	(19,137)
Expenditures on equipment	(1,673)	(16,845)
Expenditures on exploration and evaluation assets	(354,338)	(1,473,285)
<b>Net cash flows used in investing activities</b>	<b>(362,462)</b>	<b>(1,509,267)</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	(918,020)	(1,116,538)
Cash and cash equivalents, beginning	1,172,787	2,525,439
<b>Cash and cash equivalents, ending</b>	<b>\$ 254,767</b>	<b>\$ 1,408,901</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 June 30, 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 August 29, 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*	
		June 30, 2014	September 30, 2013
Minera Comstock, S.A., de C.V.	Mexico	100%	100%

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

Comstock Metals Ltd.  
Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian dollars - unaudited)  
For the nine month periods ended June 30, 2014 and 2013

3. Cash and cash equivalents

	June 30, 2014	September 30, 2013
Cash at bank	\$ (52,733)	\$ 365,287
Guaranteed investment certificates	307,500	807,500
	\$ 254,767	\$ 1,172,787

4. Receivables

	June 30, 2014	September 30, 2013
HST receivable	\$ 2,867	\$ 39,042
Other receivables	6,300	9,655
	\$ 9,167	\$ 48,697

5. Equipment

	Computer hardware	Computer software	Camp equipment	Office furniture and equipment	Total
<b>Cost:</b>					
At September 30, 2013	\$ 3,892	\$ 10,305	\$ 2,140	\$ 508	\$ 16,845
Additions	1,673	-	-	-	1,673
At June 30, 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	1,408	2,899	289	68	4,664
At June 30, 2014	\$ 2,381	\$ 5,475	\$ 503	\$ 119	\$ 8,478
<b>Net book value:</b>					
At September 30, 2013	\$ 2,919	\$ 7,729	\$ 1,926	\$ 457	\$ 13,031
At June 30, 2014	\$ 3,184	\$ 4,830	\$ 1,637	\$ 389	\$ 10,040



Comstock Metals Ltd.  
Notes to the Condensed Consolidated Interim Financial Statements  
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For the nine month periods ended June 30, 2014 and 2013

6. Exploration and evaluation assets

	Canada		Mexico	Total for Nine month period ended June 30, 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	190,000	-	-	190,000	377,439
<b>Balance, end of period</b>	<b>588,886</b>	<b>416,989</b>	<b>144,833</b>	<b>1,150,708</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	2,060	-	-	2,060	184,841
Claim maintenance	256	-	18,992	19,248	62,323
Community relations	-	-	-	-	6,975
Consulting	13,530	-	-	13,530	7,500
Drilling	950	-	-	950	439,021
Geochemical	37,323	375	-	37,698	71,758
Geological and geophysics	34,113	1,700	-	35,813	156,848
Helicopter	2,191	-	-	2,191	302,392
Maps and reports	9,511	650	-	10,161	66,791
Supplies and equipment	1,107	-	-	1,107	45,104
Travel and accommodation	1,060	-	-	1,060	82,267
Trenching	11,075	-	-	11,075	84,244
Vehicle	-	-	-	-	905
Wages and benefits	19,588	1,830	510	21,928	451,717
Write-down due to impairment	-	-	-	-	(2,930)
<b>Balance, end of period</b>	<b>3,928,145</b>	<b>104,321</b>	<b>1,115,893</b>	<b>5,148,359</b>	<b>4,948,957</b>
<b>Total</b>	<b>\$ 4,517,031</b>	<b>\$ 521,310</b>	<b>\$ 1,260,726</b>	<b>\$ 6,299,067</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 (paid)	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.

\* The share certificate for 250,000 common shares of Comstock was issued on July 9, 2014 (Note 10).

**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**

	June 30, 2014	September 30, 2013
Trade payables	\$ 43,329	\$ 182,284
Accrued liabilities	-	23,203
Flow-through tax penalty payable	3,600	3,538
	\$ 46,929	\$ 209,025

8. **Share capital**

**Authorized share capital**

Unlimited number of common shares without par value.

**Issued share capital**

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

There were no shares issued during the nine month period ended June 30, 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 nine month period ended June 30, 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 June 30, 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 nine month period ended June 30, 2014 was based on the loss attributable to common shareholders of \$408,198 (2013 - \$459,855) 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 Nine month period ended June 30, 2014 are as follows:

	June 30, 2014	
	Number of options	Weighted average exercise price
Options outstanding, beginning	3,890,000	\$ 0.26
Options granted	-	-
Options expired	(125,000)	0.30
Options outstanding, ending	3,765,000	\$ 0.26
Options exercisable, ending	3,765,000	\$ 0.26

At June 30, 2014, the weighted average remaining contractual life of options outstanding was 2.50 years.

Total stock based compensation expense for the nine months ended June 30, 2014 was \$ nil (2013 - \$256,802).

**Warrants**

The changes in warrants during the nine month period ended June 30, 2014 are as follows:

	June 30, 2014	
	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	20,343,438	\$ 0.29
Warrants issued	-	-
Warrants expired	(315,789)	0.20
Warrants outstanding, ending	20,027,649	\$ 0.29

At June 30, 2014, the weighted average remaining contractual life of warrants outstanding was 2.93 years.

**9. Related party transactions**

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

	June 30, 2014	September 30, 2013
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 June 30, 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.

	Nine month periods ended	
	June 30, 2014	June 30, 2013
Rent	\$ 38,600	\$ 43,684

***Key management personnel compensation***

	Nine month periods ended	
	June 30, 2014	June 30, 2013
Administration fees	\$ 119,910	\$ 56,160
Management fees	200,400	140,400
	\$ 320,310	\$ 196,560

**10. Subsequent event**

On July 9, 2014, the Company issued 250,000 shares pursuant to the Kermode and QV Property option agreement (Note 6).