

Comstock Metals Ltd.
Condensed Consolidated Interim Financial Statements
Nine Months Ended June 30, 2016

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 condensed consolidated interim 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.

Comstock Metals Ltd.
Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars - Unaudited)

	Notes	June 30, 2016	September 30, 2015
ASSETS			
Current assets			
Cash		\$ 1,568,428	\$ 26,284
Accounts receivable		11,193	42,586
Prepaid expenses		10,153	1,300
		1,589,774	70,170
Non-current assets			
Equipment	3	3,915	5,410
Exploration and evaluation assets	4	5,172,071	5,093,178
		5,175,986	5,098,588
TOTAL ASSETS		\$ 6,765,760	\$ 5,168,758
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities	5	\$ 159,795	\$ 91,444
TOTAL LIABILITIES		159,795	91,444
SHAREHOLDERS' EQUITY			
Share capital	6	10,295,432	8,687,533
Share-based payment reserve	6	1,289,789	1,009,668
Deficit		(4,979,256)	(4,619,887)
TOTAL EQUITY		6,605,965	5,077,314
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 6,765,760	\$ 5,168,758

Nature and continuance of operations (Note 1)

Subsequent events (Note 11)

Approved on behalf of the Board:

"Rasool Mohammad"

"David Terry"

Comstock Metals Ltd.
Consolidated Interim Statements of Comprehensive (Loss)
(Expressed in Canadian dollars - Unaudited)

	Notes	Three month period ended		Nine month period ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Option revenue	4	\$ 9,900	\$ -	\$ 9,900	\$ -
Expenses					
Depreciation		440	716	1,495	2,443
Filing fees		10,448	2,098	24,165	18,620
Foreign exchange gains and losses		300	-	300	-
Investor relations		17,732	419	20,197	2,962
Management fees	7	33,933	-	45,546	-
Office and administrative		28,466	9,884	39,867	43,042
Professional fees		69,319	3,400	71,837	16,906
Share-based compensation	6, 7	24,356	-	172,121	-
Rent	7	5,835	-	5,835	13,800
Travel		37	-	4,197	388
		\$ (190,866)	\$ (16,517)	\$ (385,560)	\$ (98,161)
Other items					
Flow-through liability reversed		-	-	-	28,641
Flow-through tax penalty		-	-	-	(3,815)
Gain on debt settlement		16,291	-	16,291	-
		16,291	-	16,291	24,826
Comprehensive loss for the period		\$ (164,675)	\$ (16,517)	\$ (359,369)	\$ (73,335)
Loss per share – basic and diluted	6	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.00)

See accompanying notes to the consolidated financial statements

Comstock Metals Ltd.
Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian dollars - Unaudited)

	Notes	Share capital		Obligation to issue shares	Share-based payment reserve	Deficit	Total
		Number of shares*	Amount				
Balance at October 1, 2014		15,845,951	\$ 8,581,866	\$ -	\$ 1,009,668	\$ (4,928,274)	\$ 4,663,260
Shares issued for settlement of debt	6	1,613,333	80,667	-	-	-	80,667
Loss for the period		-	-	-	-	(73,335)	(73,335)
Balance at June 30, 2015		17,459,284	\$ 8,662,533	\$ -	\$ 1,009,668	\$ (5,001,609)	\$ 4,670,592
Balance at October 1, 2015		17,459,284	\$ 8,662,533	\$ 25,000	\$ 1,009,668	\$ (4,619,887)	\$ 5,077,314
Shares issued by private placement	6	14,439,407	1,790,712	-	-	-	1,790,712
Share issue costs							
Cash		-	(99,813)	-	-	-	(99,813)
Broker warrants and units	6	-	(108,000)	-	108,000	-	-
Shares to be issued for mineral properties	4, 6	-	-	25,000	-	-	25,000
Share-based compensation	6, 7	-	-	-	172,121	-	172,121
Loss for the period		-	-	-	-	(359,369)	(359,369)
Balance at June 30, 2016		31,898,691	\$ 10,245,432	\$ 50,000	\$ 1,289,789	\$ (4,979,256)	\$ 6,605,965

* On May 16, 2016, the Company consolidated its issued and outstanding common shares on a 5 for 1 basis. All references to common shares in these condensed consolidated interim financial statements have been adjusted to reflect this change. See also Note 6.

Comstock Metals Ltd.
Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars - Unaudited)

	Nine month period ended	
	June 30, 2016	June 30, 2015
Operating activities		
Net loss	\$ (359,369)	\$ (73,335)
Adjustments for non-cash items:		
Depreciation	1,495	2,443
Share-based compensation	172,121	-
Flow-through liability reversed	-	(28,641)
Gain on debt settlement	(16,291)	-
Changes in non-cash working capital items:		
Accounts receivable	31,393	4,075
Prepaid expenses	(8,853)	19,062
Accounts payable and accrued liabilities	84,641	16,039
Net cash flows used in operating activities	(94,863)	(60,357)
Investing activities		
Expenditures on exploration and evaluation assets	(53,892)	(26,869)
Net cash flows used in investing activities	(53,892)	(26,869)
Financing activities		
Shares issued by private placement	1,790,712	-
Share issue costs	(99,813)	-
Net cash flows provided by investing activities	1,690,899	-
Increase (decrease) in cash	1,542,144	(87,226)
Cash, beginning	26,284	164,535
Cash, ending	\$ 1,568,428	\$ 77,309
Non-cash transactions		
Shares to be issued for mineral properties	\$ 25,000	\$ -
Warrants and units issued for finders' fees	\$ 108,000	\$ -
Shares issued for settlement of debt	\$ -	\$ 484,000

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 850 West Hastings Street, Suite 310, Vancouver, British Columbia, Canada, V6C 1E1.

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, 2016, 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. Statement of compliance, significant accounting policies and basis of preparation

The unaudited condensed consolidated interim financial statements were authorized for issue on August 17, 2016 by the directors of the Company.

Statement of compliance

These unaudited condensed consolidated interim financial statements for the nine month period ended June 30, 2016 are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”), *Interim Financial Reporting* (“IAS 34”).

Significant accounting policies

These unaudited condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of application as the Company’s most recent annual audited consolidated financial statements. These unaudited condensed consolidated interim financial statements do not include all information and disclosures required in audited consolidated financial statements and should be read in conjunction with the Company’s September 30, 2015 audited consolidated financial statements.

2. Statement of compliance, significant accounting policies and basis of preparation (cont'd)

Basis of preparation

The preparation of unaudited condensed consolidated interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates and the exercise of management's judgment in applying the Company's accounting policies. There have been no changes to the Company's critical accounting estimates and judgments during the nine months ended June 30, 2016 from those presented in the Company's September 30, 2015 audited consolidated financial statements. Some comparative figures have been restated to conform with the current period's presentation.

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, 2016	September 30, 2015
Minera Comstock, S.A., de C.V.	Mexico	100%	100%

*Percentage of voting power is in proportion to ownership.

3. Equipment

	Computer hardware	Computer software	Camp equipment	Office furniture and equipment	Total
Cost:					
At September 30, 2015	\$ 5,565	\$ 10,305	\$ 2,140	\$ 508	\$ 18,518
At June 30, 2016	\$ 5,565	\$ 10,305	\$ 2,140	\$ 508	\$ 18,518
Amortization:					
At September 30, 2014	\$ 2,851	\$ 6,440	\$ 599	\$ 143	\$ 10,033
Charge for the year	1,123	1,600	286	67	3,075
At September 30, 2015	\$ 3,974	\$ 8,039	\$ 885	\$ 210	\$ 13,108
Charge for the period	525	748	179	43	1,495
At June 30, 2016	\$ 4,499	\$ 8,787	\$ 1,064	\$ 253	\$ 14,603
Net book value:					
At September 30, 2015	\$ 1,591	\$ 2,266	\$ 1,255	\$ 298	\$ 5,410
At June 30, 2016	\$ 1,066	\$ 1,518	\$ 1,076	\$ 255	\$ 3,915

Comstock Metals Ltd.
Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars - Unaudited)
For the nine months ended June 30, 2016

4. Exploration and evaluation assets

	Canada			Mexico	Total June 30, 2016	Total September 30, 2015
	QV	Walhalla	Patterson Lake North East	Corona		
Property acquisition costs						
Balance, beginning of period	\$ 598,886	\$ 1	\$ -	\$ 1	\$ 598,888	\$ 598,888
Additions	25,000	-	-	-	25,000	-
Impairment write-down	-	-	-	-	-	-
Balance, end of year	623,886	1	-	1	623,888	598,888
Exploration and evaluation costs						
Balance, beginning of period	4,010,290	-	484,000	-	4,494,290	3,988,874
Costs incurred during period:						
Assays and drilling (recovery)	-	-	-	-	-	986
Camp and field costs	-	-	-	-	-	75,662
Geochemical	-	-	-	-	-	83,225
Geological and geophysics	3,543	-	50,350	-	53,893	134,692
Maps and reports	-	-	-	-	-	19,000
Project supervision	-	-	-	-	-	63,750
Royalties	-	-	-	-	-	25,000
Supplies and equipment	-	-	-	-	-	1,233
Travel and accommodation	-	-	-	-	-	628
Wages and benefits	-	-	-	-	-	101,240
Balance, end of period	4,013,833	-	534,350	-	4,548,183	4,494,290
Total	\$ 4,637,719	\$ 1	\$ 534,350	\$ 1	\$ 5,172,071	\$ 5,093,178

4. Exploration and evaluation assets (cont'd)

Letter of Intent

On May 16, 2016, the Company and Select Sands Corp. (TSX.V: SNS) ("Select Sands") jointly announced that they have entered into a letter of intent in respect of a proposed purchase by the Company of Select Sands' Preview SW gold project located in the La Ronge district of Saskatchewan and Select Sands' early-stage Old Cabin property in Ontario (together the "Assets"). Under the terms of the letter of intent, the Company would acquire the Assets in exchange for 20 million common shares in the capital of the Company and the assumption of certain liabilities associated with the Assets. See also Note 11.

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

QV Property, Yukon, Canada

During the year ended September 30, 2014, the Company issued 50,000 shares to the optionor and completed all option requirements and earned a 100% interest in the property.

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.

As of September 30, 2015, the Company and optionor have agreed to settle the \$25,000 Advance Royalty owed from June 22, 2015 for 200,000 common shares of the Company. This has been recorded as an obligation to issue shares on the Company's consolidated statements of financial position. The Company and the optionor have also agreed that the next \$25,000 Advance Royalty, due June 22, 2016, will be paid by the issuance of 200,000 common shares of the Company. These transactions were subject to TSX Venture Exchange approval.

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 issue 125,000 shares with a deemed issue price of \$0.20 to satisfy the \$25,000 owing from June 22, 2016. See also Subsequent Events Note 11.

Walhalla Property, Yukon, Canada

During the year ended September 30, 2014, the Company recognized impairment of \$521,309 to write down the Walhalla Property to \$1. The Company has allowed these claims to lapse.

Patterson Lake North East, Saskatchewan, Canada

In November 2014, the Company staked claims in the Cree-Key Lakes and Patterson South areas of Saskatchewan to explore for Uranium. The Cree-Key Lakes claims have lapsed whereas the Patterson South Uranium claims are active.

4. Exploration and evaluation assets (cont'd)

Corona Property, Mexico

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. ("Golden Goliath"), 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% net smelter royalty 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 three years and by paying all mining rights (property taxes) and conducting all assessment work required to keep the properties in good standing. The Company 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 nine months ended June 30, 2016, the Company received \$9,900 in option payments from Golden Goliath (2015 - \$Nil).

5. Accounts payable and accrued liabilities

	June 30, 2016	September 30, 2015
Trade payables (Note 7)	\$ 141,815	\$ 72,964
Accrued liabilities (Note 7)	17,980	18,480
	\$ 159,795	\$ 91,444

6. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Common share consolidation

On May 16, 2016, the Company consolidated its issued and outstanding common shares on a 5 for 1 basis which resulted in 17,459,284 shares outstanding post-consolidation. All references to common shares, stock options and warrants in these condensed consolidated interim financial statements have been adjusted to reflect this change.

Issued share capital

At June 30, 2016 there were 31,898,691 issued and fully paid common shares (September 30, 2015 – 17,459,284).

6. Share capital (cont.)

Nine months ended June 30, 2016

On June 27, 2016, the Company completed a private placement unit and flow-through share offering. In the first closing on June 10, 2016, the Company issued a total of 10,458,397 units at a price of \$0.12 per unit and 1,399,736 flow-through shares at a price of \$0.15 per share for total gross proceeds of \$1,464,968 and in the second and final closing on June 27, 2016, the Company issued a total of 2,048,274 units at a price of \$0.12 per unit and 533,000 flow-through shares at a price of \$0.15 per share for total gross proceeds of \$325,743.

Each Unit consists of one common share and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant is exercisable into a common share of Comstock (a "Warrant Share") for a period of 24 months at an exercise price of \$0.18 per Warrant Share. The 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 \$0.36 for a period of 20 consecutive trading days, the Company will have the right to accelerate the expiry date of the Warrants. If the Company exercises such right, it will give written notice to the holders of the Warrants that the 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 may not be given until 4 months and one day after the closing date.

In connection with the first closing, the Company issued an aggregate of 337,050 unit broker warrants (the "Unit Broker Warrants"), 30,333 common share broker warrants (the "Common Share Broker Warrants") and paid an aggregate of \$47,096 in cash to certain finders. Each Unit Broker Warrant entitles the holder thereof to purchase one unit of the Company until June 9, 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 the same terms as the Warrant. Each Common Share Broker Warrant entitles the holder thereof to purchase one common share of the Company until June 9, 2018 at an exercise price of \$0.15 per share. The Unit Broker Warrants have the same terms as the Warrants.

In connection with the second closing, the Company issued an aggregate of 52,962 unit broker warrants (the "Unit Broker Warrants"), 9,310 common share broker warrants (the "Common Share Broker Warrants") and paid an aggregate of \$18,602 in cash to certain finders. Each Unit Broker Warrant entitles the holder thereof to purchase one unit of the Company until June 27, 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 the same terms as the Warrant. Each Common Share Broker Warrant entitles the holder thereof to purchase one common share of the Company until June 27, 2018 at an exercise price of \$0.15 per share.

The broker warrants and broker units were given a combined value of \$108,000 using the Black-Scholes pricing model and the following assumptions:

Expected life: 2 years
Risk free rate: 0.49%
Expected volatility: 120%
Expected dividend rate: 0%
Expected forfeiture rate: 0%

All securities issued are subject to a four month hold period.

6. Share capital (cont.)

Year ended September 30, 2015

On January 15, 2015, the Company settled an aggregate of \$484,000 of indebtedness through the issuance of 1,613,333 common shares with a fair value of \$0.01 per common share resulting in a gain of \$403,333.

Obligation to issue shares

On September 30, 2015, the Company reached an agreement with the optionor the QV Property to issue 200,000 shares with a fair value of \$0.025 per share to the optionor in lieu of the \$25,000 royalty payment due June 22, 2015. As at June 30, 2016, the shares had not been issued and are recorded as an obligation to issue shares. This transaction is subject to TSX Venture Exchange approval. See also Note 11.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the nine month period ended June 30, 2016 was based on the loss attributable to common shareholders of \$359,369 (2015 – \$73,335) and the weighted average number of common shares outstanding of 18,668,728 (2015 – 16,826,952).

Diluted loss per share did not include the effect of 1,691,000 stock options (2015 – 354,000) and 16,689,392 share purchase warrants (2015 – 3,786,066) as the effect would be anti-dilutive.

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 30 days following cessation of the optionee's position with the Company.

The changes in options during the nine months ended June 30, 2016 and 2015 are as follows:

	June 30, 2016		June 30, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	354,000	\$ 1.35	753,000	\$ 1.30
Options granted	2,010,000	\$ 0.22	-	-
Options cancelled	(120,000)	\$ 1.50	(253,000)	\$ 1.35
Options expired	(553,000)	\$ 0.31	(146,000)	\$ 1.05
Options outstanding, ending	1,691,000	\$ 0.34	354,000	\$ 1.35
Options exercisable, ending	499,000	\$ 0.65	354,000	\$ 1.35

At June 30, 2016, the weighted average remaining contractual life of options outstanding and exercisable was 3.44 years.

6. Share capital (cont.)

Warrants

The changes in warrants during the nine months ended June 30, 2016 and 2015 are as follows:

	June 30, 2016		June 30, 2015	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	3,753,066	\$ 2.50	3,926,786	\$ 1.95
Warrants issued	12,506,671	\$ 0.18	-	-
Broker warrants issued	39,643	\$ 0.18	-	-
Broker units issued*	390,012	\$ 0.12	-	-
Warrants expired	-	-	(140,720)	0.75
Warrants outstanding, ending	16,689,392	\$ 0.70	3,786,066	\$ 2.45

* Each broker unit entitles the holder thereof to purchase one unit of the Company until June 9, 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.

At June 30, 2016, the weighted average remaining contractual life of warrants outstanding was 1.76 years.

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

7. Related party transactions

The Company incurred the following transactions with directors and officers of the Company or corporations controlled by them for the nine months ended June 30, 2016 and 2015.

	June 30, 2016	June 30, 2015
Rent	\$ -	\$ 13,800

Key management personnel and directors' compensation

	June 30, 2016	June 30, 2015
Administration and consulting fees	\$ 22,000	\$ 28,000
Management fees	\$ 45,546	\$ -
Share-based compensation	\$ 143,021	\$ -
	\$ 210,567	\$ 28,000

7. Related party transactions (cont.)

Related party balances (included in Accounts payable and accrued liabilities)

	June 30, 2016	June 30, 2015
Due to officers and directors	\$ 19,175	\$ 8,000
Due to former CEO (see Note 11)	\$ 15,226	\$ -
	\$ 34,401	\$ 8,000

The Company shares office space with Select Sands Corp. and the two companies have some common officers and directors. During the nine-months ended June 30, 2016, the Company was charged \$6,785 (2015 - \$Nil) for rent and office costs by Select Sands Corp.

8. Segmented information

The Company operates in one reportable operating segment, being exploration and development of mineral properties. Summarized financial information for the geographic segments the Company operates in are as follows:

	Canada	Mexico	Total
June 30, 2016			
Comprehensive profit (loss) for the period	\$ (359,369)	\$ -	\$ (359,369)
Total assets	\$ 6,765,759	\$ 1	\$ 6,765,760
September 30, 2015			
Comprehensive profit (loss) for the year	\$ 308,387	\$ -	\$ 308,387
Total assets	\$ 5,168,757	\$ 1	\$ 5,168,758

9. Capital management

The Company identifies capital as cash and share capital. The Company manages its capital structure and makes adjustments to it depending on the funds available to the Company for acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management.

The properties in which the Company has interests are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration and pay for on-going general and administrative expenses, the Company will use existing working capital and raise additional capital as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the small size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and there were no changes in its approach to capital management during the nine months ended June 30, 2016.

10. Financial instruments and risk management

The Company's financial instruments consist of cash, and accounts payable. The carrying value of these financial instruments approximates their fair value. Cash is measured based on Level 1 of the fair value hierarchy. The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and interest risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation causing the other party to incur a financial loss. The Company is exposed to credit risks arising from its cash. The Company manages credit risk by placing cash with major Canadian financial institutions. Management believes that credit risk is low.

Interest Rate Risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company's exposure to interest rate risk relates to its ability to maintain the current rate of interest on its cash equivalents. Management believes the interest rate risk to be minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital to continue its operations and discharge its commitments as they become due. Management believes liquidity risk is high.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The Company's functional currency is the Canadian dollar. The Company does not use any form of derivative or hedging instruments to reduce its foreign currency risk. The Company is not affected by price risk. Management believes market risk is low.

11. Subsequent events

Subsequent to June 30, 2016:

- a. On August 11, 2016, the Company and Select Sands Corp. (TSX-V:SNS) ("Select Sands") entered into a definitive agreement (the "Agreement") setting forth the terms under which the Company will purchase Select Sands' Preview SW gold project located in the La Ronge district of Saskatchewan and early-stage Old Cabin property in Ontario (together the "Assets"). Under the terms of the Agreement the Company will acquire the Assets in exchange for 20 million common shares in the capital of the Company and the assumption of certain liabilities associated with the Assets. See also Note 4.

11. Subsequent events (cont.)

- b. On July 26, 2016, the Company completed a unit offering issuing a total of 4,240,000 units at a price of \$0.25 per unit ("Unit"), raising gross proceeds of \$1,060,000. Each Unit consists of one common share and one-half of one non-transferable common share purchase warrant (a "Warrant"). Each whole Warrant is exercisable into a common share of Comstock (a "Warrant Share") for a period of 24 months at an exercise price of \$0.35 per Warrant Share. The 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 \$0.70 for a period of 20 consecutive trading days, the Company will have the right to accelerate the expiry date of the Warrants. If the Company exercises such right, it will give written notice to the holders of the Warrants that the 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 may not be given until 4 months and one day after the closing date. In connection with the closing, the Company issued an aggregate of 3,500 unit broker warrants (the "Unit Broker Warrants") and paid an aggregate of \$2,625 in cash to certain finders. 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 the same terms as the Warrant.

The securities issued in connection with the offering and the common shares issuable on exercise of the Warrants and the Unit Broker Warrants were issued pursuant to applicable exemptions from the prospectus requirements under applicable securities laws. Such securities are subject to a four month hold period which will expire November 27, 2016.

- c. On July 12, 2016, the Company completed two shares for debt arrangements, pursuant to which it issued an aggregate of 363,064 common shares in satisfaction of Cdn\$57,613 of indebtedness. Of this indebtedness \$50,000 was owing to the optionor of the Company's QV Property for the 2015 and 2016 advance royalty payments (see Note 4). The deemed issue price of the common shares for \$25,000 of this indebtedness was \$0.125 per share, based on a prior agreement between the parties, and \$0.20 per share for the second \$25,000. The remaining \$7,613 was for past wages payable to the former chief executive officer of the Company settled at \$0.20 per share. The common shares issued in satisfaction of the indebtedness are subject to a four month hold period from the date of issuance.