

Comstock Metals Ltd.
Consolidated Financial Statements
September 30, 2015

Expressed in Canadian Dollars



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

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To the Shareholders of Comstock Metals Ltd.:

We have audited the accompanying consolidated financial statements of Comstock Metals Ltd., which comprise the consolidated statements of financial position as at September 30, 2015 and 2014, and the consolidated statements of comprehensive profit (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Comstock Metals Ltd. as at September 30, 2015 and 2014, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Comstock Metals Ltd.'s ability to continue as a going concern.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
January 28, 2016

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

	Notes	September 30, 2015	September 30, 2014
ASSETS			
Current assets			
Cash		\$ 26,284	\$ 164,535
Receivables		42,586	4,075
Prepaid expenses		1,300	25,239
		70,170	193,849
Non-current assets			
Equipment	4	5,410	8,485
Exploration and evaluation assets	5	5,093,178	4,587,762
		5,098,588	4,596,247
TOTAL ASSETS		\$ 5,168,758	\$ 4,790,096
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities	6	\$ 91,444	\$ 98,195
Flow-through tax liability		-	28,641
TOTAL LIABILITIES		91,444	126,836
SHAREHOLDERS' EQUITY			
Share capital	7	8,687,533	8,581,866
Share-based payment reserve	7	1,009,668	1,009,668
Deficit		(4,619,887)	(4,928,274)
TOTAL EQUITY		5,077,314	4,663,260
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 5,168,758	\$ 4,790,096

Nature and continuance of operations (Note 1)

Subsequent events (Note 13)

Approved on behalf of the Board:

"Rasool Mohammad"

"Darren Urquhart"

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

	Notes	September 30, 2015	September 30, 2014
Expenses			
Amortization	4	\$ 3,075	\$ 6,219
Filing fees		20,092	14,268
Investor relations		4,686	39,428
Management fees	8	-	216,000
Office, administrative and miscellaneous	8	30,299	172,523
Professional fees	8	49,214	38,073
Property investigation		-	2,443
Rent	8	13,800	51,800
Travel		-	4,791
		(121,166)	(545,545)
Other items			
Impairment of exploration and evaluation assets	5	-	(1,782,115)
Interest income		-	7,148
Gain on debt settlement	7	404,727	-
Flow-through liability reversed	7	28,641	35,933
Flow-through tax penalty		(3,815)	(7,587)
		429,553	(1,746,621)
Net and comprehensive profit (loss) for the year		\$ 308,387	\$ (2,292,166)
Earnings (loss) per share – basic and diluted		\$ 0.00	\$ (0.03)

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

Share capital							
	Notes	Number of shares	Amount	Obligation to issue shares	Share-based payment reserve	Deficit	Total
Balance at September 30, 2013		78,979,754	\$ 8,571,866	\$ -	\$ 1,009,668	\$ (2,636,108)	\$ 6,945,426
Net and comprehensive loss		-	-	-	-	(2,292,166)	(2,292,166)
Shares issued for mineral properties	5,7	250,000	10,000	-	-	-	10,000
Balance at September 30, 2014		79,229,754	8,581,866	-	1,009,668	(4,928,274)	4,663,260
Net and comprehensive profit		-	-	-	-	308,387	308,387
Shares issued for mineral properties	7	-	-	25,000	-	-	25,000
Shares issued for settlement of debt	7	8,066,667	80,667	-	-	-	80,667
Balance at September 30, 2015		87,296,421	\$ 8,662,533	\$ 25,000	\$ 1,009,668	\$ (4,619,887)	\$ 5,077,314

See accompanying notes to the consolidated financial statements

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

	September 30, 2015	September 30, 2014
Operating activities		
Net profit (loss)	\$ 308,387	\$ (2,292,166)
Adjustments for non-cash items:		
Amortization	3,075	6,219
Impairment of exploration and evaluation assets	-	1,782,115
Non-cash management fees	-	60,000
Non-cash administrative fees	-	60,000
Non-cash interest income	-	(946)
Gain on settlement of debt	(403,333)	-
Flow-through liability reversed	(28,641)	(35,933)
Flow-through tax penalty	3,815	7,587
Changes in non-cash working capital items:		
Receivables	(38,511)	44,622
Prepaid expenses	23,939	(13,207)
Accounts payable and accrued liabilities	14,434	(174,971)
Net cash flows used in operating activities	(116,835)	(556,680)
Investing activities		
Accrued interest	-	313
Expenditures on equipment	-	(1,673)
Expenditures on exploration and evaluation assets	(21,416)	(450,212)
Net cash flows used in investing activities	(21,416)	(451,572)
Decrease in cash	(138,251)	(1,008,252)
Cash, beginning	164,535	1,172,787
Cash, ending	\$ 26,284	\$ 164,535
Non-cash transaction:		
Debt settled by the issuance of shares	\$ 484,000	\$ -
Advance Royalty payment by the issuance of shares	\$ 25,000	\$ -

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 consolidated 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 September 30, 2015 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 consolidated financial statements were authorized for issue on January 28, 2016 by the directors of the Company.

Statement of compliance and conversion to International Financial Reporting Standards

These consolidated 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”).

Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

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

	Country of incorporation	Percentage owned*	
		September 30, 2015	September 30, 2014
Minera Comstock, S.A., de C.V.	Mexico	100%	100%

*Percentage of voting power is in proportion to ownership.

2. Significant accounting policies and basis of preparation (cont'd)

Significant estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of net assets, liabilities, and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reported period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the amortization of equipment, recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, and the recoverability of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applied in preparing the Company's consolidated financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- The classification / allocation of expenditures as exploration and valuation expenditures or operating expenses; and
- The determination of functional currency.

Foreign currency translation

The functional currency is determined using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent and subsidiary company's functional and presentation currency.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the consolidated statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the consolidated statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

2. Significant accounting policies and basis of preparation (cont'd)

Equipment

Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive loss.

Amortization is calculated on a declining balance method to write off the cost of the assets to their residual values over their estimated useful lives, using the following rates:

Class of equipment	Amortization rate
Computer hardware	50%
Computer software	50%
Camp equipment	20%
Office furniture and equipment	20%

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant, and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of the options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets and liabilities are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. Cash is classified as fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive loss, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Accounts payable are classified as non-derivative liabilities.

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets or liabilities.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments (cont'd)

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Impairment of assets

The carrying amount of the Company's assets (which includes equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash

Cash include cash on hand, deposits held at call with banks, and bank overdrafts.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. Significant accounting policies and basis of preparation (cont'd)

Income taxes (cont'd)

Deferred income tax (cont'd):

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Flow-through shares:

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability"). Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a flow-through tax recovery.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

3. Accounting standards issued but not yet applied

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after October 1, 2015 or later periods.

The following new standards, amendments and interpretations that have not been early adopted in these consolidated financial statements, is not expected to have a material effect on the Company's future results and financial position:

- a) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9); and
- b) Amendments to IAS 32 Financial Instruments: Presentation.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. Equipment

	Computer hardware	Computer software	Camp equipment	Office furniture and equipment	Total
Cost:					
At September 30, 2013	\$ 3,892	\$ 10,305	\$ 2,140	\$ 508	\$ 16,845
Additions	1,673	-	-	-	1,673
At September 30, 2014	5,565	10,305	2,140	508	18,518
At September 30, 2015	\$ 5,565	\$ 10,305	\$ 2,140	\$ 508	\$ 18,518
Amortization:					
At September 30, 2013	\$ 973	\$ 2,576	\$ 214	\$ 51	\$ 3,814
Charge for the year	1,878	3,864	385	92	6,219
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
Net book value:					
At September 30, 2014	\$ 2,714	\$ 3,865	\$ 1,541	\$ 365	\$ 8,485
At September 30, 2015	\$ 1,591	\$ 2,266	\$ 1,255	\$ 298	\$ 5,410

Comstock Metals Ltd.
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
For the year ended September 30, 2015

5. Exploration and evaluation assets

	Canada			Mexico	Total September 30, 2015	Total September 30, 2014
	QV	Walhalla	Grassick	Corona		
Property acquisition costs						
Balance, beginning of year	\$ 598,886	\$ 1	\$ -	\$ 1	\$ 598,888	\$ 960,708
Additions	-	-	-	-	-	200,000
Impairment write-down	-	-	-	-	-	(561,820)
Balance, end of year	598,886	1	-	1	598,888	598,888
Exploration and evaluation costs						
Balance, beginning of year	3,988,874	-	-	-	3,988,874	4,948,957
Costs incurred during period:						
Assays and drilling (recovery)	(10,214)	-	11,200	-	986	59,740
Camp and field costs	4,762	-	70,900	-	75,662	2,060
Claim maintenance	-	-	-	-	-	19,249
Consulting	-	-	-	-	-	13,530
Drilling	-	-	-	-	-	950
Geochemical	-	-	83,225	-	83,225	37,697
Geological and geophysics	-	-	134,692	-	134,692	73,894
Helicopter	-	-	-	-	-	2,191
Maps and reports	-	-	19,000	-	19,000	4,485
Project supervision	-	-	63,750	-	63,750	-
Royalties	25,000	-	-	-	25,000	-
Supplies and equipment	-	-	1,233	-	1,233	1,107
Travel and accommodation	628	-	-	-	628	1,060
Trenching	-	-	-	-	-	11,075
Wages and benefits	1,240	-	100,000	-	101,240	33,174
Impairment write-down	-	-	-	-	-	(1,220,295)
Balance, end of year	4,010,290	-	484,000	-	4,494,290	3,988,874
Total	\$ 4,609,176	\$ 1	\$ 484,000	\$ 1	\$ 5,093,178	\$ 4,587,762

5. Exploration and evaluation assets (cont'd)

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 250,000 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 1,000,000 common shares of the Company. This has been recorded as a 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 1,000,000 common shares of the Company.

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 NI 43-101 Technical Report with 500,000 ounce gold resource		500,000
		1,000,000

This purchase is a related party transaction because the Company shares a common director with Seafield.

During the year ended September 30, 2014, the Company recognized impairment of \$521,309 to write down the property to \$1.

Grassick, Saskatchewan, Canada

In November 2014, the Company staked claims in the Cree-Key Lakes and Patterson South areas of Saskatchewan.

Corona Property, Mexico

During the year ended September 30, 2013, the Company completed all option requirements and earned a 60% interest in the Corona Property (Note 13).

During the year ended September 30, 2014, the Company recognized impairment of \$1,260,806 to write down the property to \$1.

6. Accounts payable and accrued liabilities

	September 30, 2015	September 30, 2014
Trade payables (Note 8)	\$ 72,964	\$ 67,408
Accrued liabilities	18,480	30,787
	\$ 91,444	\$ 98,195

7. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At September 30, 2015 there were 87,296,421 issued and fully paid common shares (September 30, 2014 – 79,229,754).

September 30, 2015

On January 15, 2015, the Company settled an aggregate of \$484,000 of indebtedness through the issuance of 8,066,667 common shares with a fair value of \$0.01 per common share resulting in a gain of \$403,333.

September 30, 2014

The Company issued 250,000 common shares with a fair value of \$10,000 pursuant to the QV Property agreement (Note 5).

During the year ended September 30, 2014, the Company renounced \$963,750 in exploration expenditures related to the flow-through shares issued during the year ended September 30, 2013, incurred exploration expenditures totaling \$427,455 (2014 - \$536,295), and recorded a flow-through recovery of \$28,641 in fiscal 2015 (2014 - \$35,933).

Obligation to issue shares

On September 30, 2015, the Company reached an agreement with the optionor the QV Property to issue 1,000,000 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 September 30, 2015, the shares had not been issued and are recorded as an obligation to issue shares.

Basic and diluted loss per share

The calculation of basic and diluted earnings (loss) per share for the year ended September 30, 2015 was based on the earnings (loss) attributable to common shareholders of \$308,387 (2014 – (\$2,292,166)) and the weighted average number of common shares outstanding of 79,286,994 (2014 – 79,037,973).

Diluted earnings (loss) per share did not include the effect of 1,770,000 stock options (2014 – 3,765,000) and 18,765,331 share purchase warrants (2014 – 19,633,931) 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

7. Share capital (cont.)

Stock options (cont.)

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 years ended September 30, 2015 and 2014 are as follows:

	September 30, 2015		September 30, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	3,765,000	\$ 0.26	3,890,000	\$ 0.26
Options cancelled	(1,265,000)	0.27	-	-
Options expired	(730,000)	0.21	(125,000)	0.30
Options outstanding, ending	1,770,000	\$ 0.27	3,765,000	\$ 0.26
Options exercisable, ending	1,770,000	\$ 0.27	3,765,000	\$ 0.26

At September 30, 2015, the weighted average remaining contractual life of options outstanding and exercisable was 1.76 years. There were no options granted during the years 2015 and 2014.

Warrants

The changes in warrants during the years ended September 30, 2015 and 2014 are as follows:

	September 30, 2015		September 30, 2014	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	19,633,931	\$ 0.39	20,343,438	\$ 0.29
Warrants expired	(868,600)	0.18	(709,507)	0.19
Warrants outstanding, ending	18,765,331	\$ 0.50	19,633,931	\$ 0.39

At September 30, 2015, the weighted average remaining contractual life of warrants outstanding was 1.86 years. No warrants were granted during the years ended September 30, 2015 and 2014

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.

8. Related party transactions

The Company incurred the following transactions with directors and officers of the Company or corporations controlled by them.

	September 30, 2015	September 30, 2014
Rent	\$ 13,800	\$ 51,800

Key management personnel compensation

	September 30, 2015	September 30, 2014
Administration fees	\$ 10,000	\$ 137,400
Professional fees	20,500	-
Consulting fees	1,000	6,300
Management fees	-	216,000
	\$ 31,500	\$ 359,700

Related party balances

	September 30, 2015	September 30, 2014
Due to companies controlled by a director (Note 6)	11,150	-
	\$ 11,550	\$ -

9. Income taxes

A reconciliation of taxes at statutory tax rates with the reported taxes is as follows:

	September 30, 2015	September 30, 2014
Profit (loss) before income taxes	\$ 308,387	\$ (2,292,166)
Corporate tax rate	26%	26%
Expected tax expense (recovery) at statutory tax rates	80,181	(595,963)
Non-deductible items	(5,655)	(5,753)
Flow-through renunciation	-	250,575
Other	(108,933)	75,400
Impact of tax rate changes	-	(15,565)
Change in valuation allowance	34,407	291,306
	\$ -	\$ -

9. Income taxes (cont.)

The significant components of the Company's deferred tax assets are as follows:

	September 30, 2015	September 30, 2014
Equipment	\$ 4,035	\$ 3,236
Exploration and evaluation assets	(126,683)	(234,815)
Share issuance costs	43,616	80,592
Non-capital loss carry-forwards	755,084	792,632
	676,052	641,645
Valuation allowance	(676,052)	(641,645)
Net deferred tax assets	\$ -	\$ -

As of September 30, 2015, the Company has non-capital losses of approximately \$2,912,000 to carry forward to reduce future year's taxable income, which expires commencing 2028. Deferred tax benefits which may arise as a result of these losses have not been recognized in these consolidated financial statements, as their realization is not anticipated to occur, and accordingly, the Company has recorded a valuation allowance for the deferred tax asset arising from these tax loss carry-forwards.

10. 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
September 30, 2015			
Comprehensive profit (loss) for the year	\$ 308,387	\$ -	\$ 308,387
Total assets	\$ 5,168,757	\$ 1	\$ 5,168,758
September 30, 2014			
Comprehensive gain (loss) for the year	\$ (2,292,166)	\$ -	\$ (2,292,166)
Total assets	\$ 4,790,095	\$ 1	\$ 4,790,096

11. 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 year ended September 30, 2015.

12. 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 is exposed to currency risk in expenses and accounts payable for transactions incurred in Mexican Pesos. 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.

13. Subsequent events

On December 7, 2015, Golden Goliath Resources Ltd., which holds the other 40% 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 3 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\$214,286 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.