

**Comstock Metals Ltd.**  
**Consolidated Financial Statements**  
**For the Year Ended September 30, 2017**

**Expressed in Canadian Dollars**



**DALE MATHESON CARR-HILTON LABONTE LLP**  
CHARTERED PROFESSIONAL ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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, 2017 and 2016, and the consolidated statements of comprehensive 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 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, 2017 and 2016, 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  
December 20, 2017

An independent firm associated with  
Moore Stephens International Limited

**MOORE STEPHENS**

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

	Notes	September 30, 2017	September 30, 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 1,404,586	\$ 2,120,393
Other receivables		68,584	86,696
Prepaid expenses and deposits		74,751	83,749
		1,547,921	2,290,838
<b>Non-current assets</b>			
Equipment	4	2,356	3,526
Exploration and evaluation assets	5	12,936,325	10,429,000
		12,938,681	10,432,526
<b>TOTAL ASSETS</b>		<b>\$ 14,486,602</b>	<b>\$ 12,723,364</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payables and accrued liabilities	6	\$ 379,289	\$ 544,976
Flow-through liability	9	107,000	58,000
<b>TOTAL LIABILITIES</b>		<b>486,289</b>	<b>602,976</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	18,916,139	16,539,758
Share-based payment reserve	7	2,388,521	1,833,770
Deficit		(7,304,347)	(6,253,140)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>14,000,313</b>	<b>12,120,388</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 14,486,602</b>	<b>\$ 12,723,364</b>

Nature and continuance of operations (Note 1)

Approved on behalf of the Board:

“David Terry”

“Rasool Mohammad”

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

	Notes	Year Ended	
		September 30, 2017	September 30, 2016
<b>Expenses</b>			
Amortization	4	\$ 1,170	\$ 1,884
Filing fees		18,738	39,323
Investor relations		147,954	33,494
Management and director fees	8	223,677	94,548
Office, administrative and miscellaneous	8	97,770	98,955
Professional fees		93,787	63,208
Property investigations		-	975
Rent	8	17,867	11,391
Share based compensation	7	472,270	715,102
Travel		32,761	7,727
Loss from operations		(1,105,994)	(1,066,607)
<b>Other items</b>			
Interest income		16,929	2,163
Option revenue	5	19,233	9,900
Gain (loss) on debt settlement	7	3,125	(51,306)
Gain on debt forgiven		-	16,291
Foreign exchange loss		(48,980)	(300)
Assets written off		-	(9,044)
Exploration and evaluation assets written off	5	-	(534,350)
Flow-through liability reversed	9	64,480	-
		54,787	(566,646)
<b>Net and comprehensive loss</b>		<b>\$ (1,051,207)</b>	<b>\$ (1,633,253)</b>
<b>Basic and diluted loss per share</b>	7	<b>\$ (0.02)</b>	<b>\$ (0.07)</b>

See accompanying notes to the consolidated financial statements

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

	Notes	Share capital		Obligation to issue shares	Share-based payment reserve	Deficit	Total
		Number of shares*	Amount				
Balance at September 30, 2015		17,459,284	\$ 8,662,533	\$ 25,000	\$ 1,009,668	\$ (4,619,887)	\$ 5,077,314
Shares issued for mineral properties	5,7	20,000,000	5,200,000	-	-	-	5,200,000
Shares issued for private placement	7	18,679,407	2,850,711	-	-	-	2,850,711
Shares issued for settlement of debt	7	363,064	108,919	(25,000)	-	-	83,919
Share issue costs - cash	7	-	(115,405)	-	-	-	(115,405)
Share issue costs - broker warrants	7	-	(109,000)	-	109,000	-	-
Flow through shares premium	7, 9	-	(58,000)	-	-	-	(58,000)
Share-based compensation	7	-	-	-	715,102	-	715,102
Net and comprehensive loss		-	-	-	-	(1,633,253)	(1,633,253)
Balance at September 30, 2016		56,501,755	16,539,758	-	1,833,770	(6,253,140)	12,120,388
Shares issued for private placement	7	16,908,057	2,643,126	-	-	-	2,643,126
Shares issued for settlement of debt	7	156,250	21,875	-	-	-	21,875
Share issue costs – cash	7	-	(100,294)	-	-	-	(100,294)
Share issue costs – broker warrants	7	-	(84,000)	-	84,000	-	-
Flow through shares premium	7, 9	-	(107,000)	-	-	-	(107,000)
Broker warrants exercised		9,625	2,674	-	(1,519)	-	1,155
Share-based compensation	7	-	-	-	472,269	-	472,269
Net and comprehensive loss		-	-	-	-	(1,051,207)	(1,051,207)
<b>Balance at September 30, 2017</b>		<b>73,575,687</b>	<b>\$18,916,139</b>	<b>\$ -</b>	<b>\$ 2,388,521</b>	<b>\$ (7,304,347)</b>	<b>\$ 14,000,313</b>

\* 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 consolidated financial statements have been adjusted to reflect this change. See also Note 7.

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

	Year Ended	
	September 30, 2017	September 30, 2016
<b>Operating activities</b>		
Net loss	\$ (1,051,207)	\$ (1,633,253)
Adjustments for non-cash items:		
Amortization	1,170	1,884
Share based compensation	472,270	715,102
(Gain) loss on settlement of debt	(3,125)	51,306
Flow-through liability reversed	(64,480)	-
Gain on debts forgiven	-	(16,291)
Exploration and evaluation assets written off	-	534,350
Changes in non-cash working capital items:		
Receivables	18,112	(44,110)
Prepaid expenses and deposits	8,998	(82,449)
Accounts payable and accrued liabilities	(4,578)	83,867
<b>Net cash flows used in operating activities</b>	<b>(622,840)</b>	<b>(389,594)</b>
<b>Investing activities</b>		
Expenditures on exploration and evaluation assets	(2,633,829)	(251,603)
<b>Net cash flows used in investing activities</b>	<b>(2,633,829)</b>	<b>(251,603)</b>
<b>Financing activities</b>		
Shares issued for private placements, net	2,539,707	2,735,306
Broker units exercised	1,155	-
<b>Net cash flows provided by financing activities</b>	<b>2,540,862</b>	<b>2,735,306</b>
(Decrease) increase in cash	(715,807)	2,094,109
Cash, beginning	2,120,393	26,284
<b>Cash, ending</b>	<b>\$ 1,404,586</b>	<b>\$ 2,120,393</b>
<b>Non-cash transactions:</b>		
Shares issued for mineral properties	\$ -	\$ 5,200,000
Share issue costs - broker warrants	\$ 84,000	\$ 109,000
Debt settled by the issuance of shares	\$ 25,000	\$ 57,613

**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, 2017, 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 December 20, 2017 by the directors of the Company.

***Statement of compliance with 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, 2017	September 30, 2016
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; and
- The classification / allocation of expenditures as exploration and valuation expenditures or operating expenses.

***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:

<b>Class of equipment</b>	<b>Amortization rate</b>
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. Other receivables are classified as loans and receivables.

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. The Company does not have any financial assets categorized as held to maturity.

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. The Company does not have any financial assets categorized as available-for-sale.

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 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, 2016 or later periods.

The following new standards, amendments and interpretations that have not been early adopted in these consolidated financial statements are 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);
- b) IFRS 16 – Leases; and
- c) 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
<b>Cost:</b>					
At September 30, 2015	\$ 5,565	\$ 10,305	\$ 2,140	\$ 508	\$ 18,518
At September 30, 2016	5,565	10,305	2,140	508	18,518
<b>At September 30, 2017</b>	<b>\$ 5,565</b>	<b>\$ 10,305</b>	<b>\$ 2,140</b>	<b>\$ 508</b>	<b>\$ 18,518</b>
<b>Amortization:</b>					
At September 30, 2015	\$ 3,974	\$ 8,039	\$ 885	\$ 210	\$ 13,108
Charge for the year	659	937	233	55	1,884
At September 30, 2016	4,633	8,976	1,118	265	14,992
Charge for the year	386	549	190	45	1,170
<b>At September 30, 2017</b>	<b>\$ 5,019</b>	<b>\$ 9,525</b>	<b>\$ 1,308</b>	<b>\$ 310</b>	<b>\$ 16,162</b>
<b>Net book value:</b>					
At September 30, 2016	\$ 932	\$ 1,329	\$ 1,022	\$ 243	\$ 3,526
<b>At September 30, 2017</b>	<b>\$ 546</b>	<b>\$ 780</b>	<b>\$ 832</b>	<b>\$ 198</b>	<b>\$ 2,356</b>

Comstock Metals Ltd.  
Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars)  
For the year ended September 30, 2017

5. Exploration and evaluation assets

	Canada			Mexico	Total September 30, 2017	Total September 30, 2016
	QV	Preview SW	Old Cabin	Corona		
<b>Property acquisition costs</b>						
Balance, beginning of period	\$ 649,384	\$ 5,000,508	\$ 263,185	\$ 1	\$ 5,913,078	\$ 623,888
Additions	25,000	-	1,090	-	26,090	5,289,190
<b>Balance, end of period</b>	<b>674,384</b>	<b>5,000,508</b>	<b>264,275</b>	<b>1</b>	<b>5,939,168</b>	<b>5,913,078</b>
<b>Exploration and evaluation costs</b>						
Balance, beginning of period	4,514,099	1,823	-	-	4,515,922	4,469,290
Costs incurred during period:						
Assays and drilling	34,305	149,040	35	-	183,380	20,573
Camp and field costs	182,867	575,814	-	-	750,931	-
Claims maintenance	-	-	130	-	130	-
Wages and benefits	-	72,403	-	-	72,403	-
Drilling	262,733	545,423	-	-	808,156	254,840
Environmental	250	1,618	-	-	1,868	-
Geochemical	2,325	-	-	-	2,325	130,783
Geological and geophysics	128,952	309,928	2,400	-	406,736	61,682
Government grants	(40,000)	-	-	-	(40,000)	-
Helicopter	236,630	-	-	-	236,630	107,747
Maps and reports	-	2,535	-	-	2,535	-
Project supervision	4,400	1,232	-	-	5,632	-
Resource estimate	-	5,255	-	-	5,255	-
Supplies and equipment	-	-	-	-	-	24
Travel and accommodation	-	1,226	1,735	-	2,961	5,333
Impairment	-	-	-	-	-	(534,350)
<b>Balance, end of period</b>	<b>5,326,560</b>	<b>1,666,297</b>	<b>4,300</b>	<b>-</b>	<b>6,954,864</b>	<b>4,515,922</b>
<b>Total</b>	<b>\$ 6,000,944</b>	<b>\$ 6,666,805</b>	<b>\$ 268,575</b>	<b>\$ 1</b>	<b>\$ 12,936,325</b>	<b>\$ 10,429,000</b>

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

***QV Property, Yukon, Canada***

The Company holds a 100% interest in the QV property. The QV Property is subject to a 2.0% Net Smelter Royalty ("NSR"). 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 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 June 22, 2017, the Company and optionor agreed to settle the \$25,000 Advance Royalty owed from June 22, 2017 for 156,250 common shares of the Company. On July 14, 2017, the Company received Exchange approval to issue 156,250 shares to satisfy the \$25,000 owing from June 22, 2017. The 156,250 shares were fair valued at \$0.16 per share, resulting in a gain of \$3,125. As of September 30, 2015, the Company and optionor agreed to settle the \$25,000 Advance Royalty owed from June 22, 2015 for 200,000 common shares of the Company. This was recorded as an obligation to issue shares on the Company's consolidated statements of financial position as of September 30, 2015. The Company and the optionor also agreed that the \$25,000 Advance Royalty, due June 22, 2016, would be paid by the issuance of 125,000 common shares of the Company. On July 12, 2016, the Company received Exchange approval to issue 200,000 shares to satisfy the \$25,000 owing from June 22, 2015 and issue 125,000 shares to satisfy the \$25,000 owing from June 22, 2016. The 325,000 shares were fair valued at \$0.30 per share, resulting in a loss of \$47,500 (Note 7).

***Preview SW and Old Cabin, Saskatchewan and Ontario, Canada***

On September 13, 2016, the Company and Select Sands Corp. ("Select Sands") completed a transaction pursuant to which the Company purchased Select Sands' Preview SW gold project located in Saskatchewan and the Old Cabin property in Ontario (Note 8). The Company acquired the assets in exchange for 20,000,000 common shares in the capital of the Company and the assumption of certain option obligations associated with the assets (Note 7). The fair value of the 20,000,000 shares was \$5,200,000. The Company allocated 95% of the cost to Preview SW at \$4,940,000 and 5% of the cost to Old Cabin at \$260,000.

Pursuant to the agreement, the option obligations associated with the assets include: payment of \$60,000 upon receipt of a positive feasibility study and issuance of such number common shares of the Company, determined by dividing \$87,500 by the closing price of the Company's common shares on Exchange on the day before the acceptance by Exchange of the transaction with Selection Sands, upon making a production decision as well as a 2.5% NSR of which 1% of the NSR can be purchased for \$1,000,000 at any time prior to a production decision and the remaining 1.5% NSR can be purchased for \$2,000,000.

***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 claims are in good standing. The Company does not have any immediate plans to further explore the Patterson Lake property and record an impairment of \$534,350 during the year ended September 30, 2016.

**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% NSR half of which may be purchased for US\$500,000) in the Corona property as well six other properties held by Golden Goliath by making cash payments totaling US\$3 million over three years and by paying all 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 year ended September 30, 2017, the Company received \$19,233 (2016 - \$9,900) in option payments from Golden Goliath.

**6. Accounts payable and accrued liabilities**

	<b>September 30, 2017</b>	<b>September 30, 2016</b>
Trade payables (Note 8)	\$ 358,289	\$ 523,496
Accrued liabilities	21,000	21,480
	<b>\$ 379,289</b>	<b>\$ 544,976</b>

At September 30, 2017, there was \$321,374 for exploration and evaluation expenditures included in accounts payable and accrued liabilities (September 30, 2016 - \$451,003).

**7. 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 consolidated financial statements have been adjusted to reflect this change.

**Issued share capital**

At September 30, 2017, there were 73,575,687 issued and fully paid common shares (September 30, 2016 – 56,501,755).

**7. Share capital (cont.)**

Year ended September 30, 2017

Private Placement

On February 27, 2017 (the "Closing Date"), the Company closed a non-brokered private placement for an aggregate of \$2,643,126 comprising 13,344,157 of units ("Units") and 3,563,900 flow-through units ("FT Units"). Each Unit was priced at \$0.15 and consists of one common share and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.20 per share for a period of 24 months from the Closing Date. Each FT Unit is priced at \$0.18 and consists of one flow-through common share and one-half of one non-transferable common share purchase warrant (each whole warrant a "FT Warrant"). Each FT Warrant will entitle the holder thereof to purchase one additional non flow-through common share at an exercise price of \$0.20 per share for a period of 24 months from the Closing Date.

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

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

In connection with the closing of the financing, the Company paid finders an aggregate commission of \$100,294 and issued an aggregate of 352,898 unit broker warrants. Each unit broker warrant entitles the holder thereof to acquire one Unit at a price of \$0.15 per Unit for a period of 24 months from the Closing Date. The fair value of the unit broker warrants was calculated to be \$84,000 using the Black-Scholes Option Pricing Model and the following assumptions:

Expected life: 2 years  
Risk free rate: 0.76%  
Expected volatility: 120%  
Expected dividend rate: 0%  
Expected forfeiture rate: 0%

**7. Share capital (cont.)**

Shares issued for debt

The Company issued an aggregate of 156,250 common shares with a fair value of \$21,875 in satisfaction of \$25,000 of indebtedness on July 14, 2017. This indebtedness was owing to the optionor of the Company's QV Property for the 2017 advance royalty payment (Note 5).

Year ended September 30, 2016

Shares issued for Mineral Properties

On September 14, 2016, the Company and Select Sands completed a transaction pursuant to which the Company purchased Select Sands' Preview SW gold project located in the La Ronge district of Saskatchewan and the Old Cabin property in Ontario (the "Assets"). The Company acquired the Assets in exchange for 20 million common shares (the "Shares") in the capital of the Company and the assumption of certain liabilities associated with the Assets (Note 5). The fair value of the 20 million shares was \$5,200,000.

Private Placements

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 (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 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 of the offering.

In connection with the offering, the Company issued an aggregate of 3,500 unit broker warrants (the "Unit Broker Warrants"), paid an aggregate of \$2,626 in cash to certain finders and incurred other legal costs of \$12,966. 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 fair value of the Unit Broker Warrants were calculated to be \$1,000 using the Black-Scholes Option Pricing Model and the following assumptions:

Expected life: 2 years  
Risk free rate: 0.58%  
Expected volatility: 120%  
Expected dividend rate: 0%  
Expected forfeiture rate: 0%

**7. Share capital (cont.)**

Private Placements

On June 27, 2016, the Company completed a 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. During the year the Company recorded a flow-through share premium of \$58,000 to share capital (Note 9). Each Unit consists of one common share and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant is exercisable into a common shares (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 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 four months and one day after the closing date of the offering.

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"), paid an aggregate of \$47,246 in cash to certain finders and incurred other cost of \$46. Each Unit Broker Warrant entitles the holder thereof to purchase one unit of the Company until June 10, 2018 at an exercise price of \$0.12 per unit. Each unit consists of one common share of the Company and one common share purchase warrant of the Company with 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 10, 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"), paid an aggregate of \$18,602 in cash to certain finders and incurred legal fees of \$33,919. Each Unit Broker Warrant entitles the holder thereof to purchase one unit of the Company until June 28, 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 28, 2018 at an exercise price of \$0.15 per share.

The fair value of the Unit Broker Warrants and Common Share Broker Warrants were calculated to be \$108,000 using the Black-Scholes Option 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%

**7. Share capital (cont.)**

*Shares issued for debt*

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 \$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 (Note 5). The Company issued 325,000 shares with a fair value of \$0.30 per share to settle this indebtedness, resulting in a loss of \$47,500.

The remaining \$7,613 for past wages payable to the former chief executive officer of the Company was settled for 38,064 shares. The shares issued had a fair value of \$0.30 per share resulting in a loss of \$3,806 (Note 8).

**Basic and diluted loss per share**

The calculation of basic and diluted loss per share for the year ended September 30, 2017 was based on the loss attributable to common shareholders of \$1,051,207 (2016 – \$1,633,253) and the weighted average number of common shares outstanding of 66,499,802 (2016 – 23,585,011).

Diluted loss per share for the year ended September 30, 2017 does not include the effect of 6,520,000 stock options and 30,538,831 share purchase warrants as the effect would be anti-dilutive. Diluted earnings per share for the year ended September 30, 2016 does include the effect of 3,321,000 stock options and 18,812,892 share purchase warrants.

**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 years ended September 30, 2017 and 2016 are as follows:

	September 30, 2017		September 30, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	3,321,000	\$ 0.35	354,000	\$ 1.35
Options granted	3,300,000	0.20	3,640,000	0.28
Options cancelled	-	-	(120,000)	1.50
Options expired	(101,000)	1.54	(553,000)	0.31
Options outstanding, ending	6,520,000	\$ 0.26	3,321,000	\$ 0.35
Options exercisable, ending	6,520,000	\$ 0.26	3,321,000	\$ 0.35

Comstock Metals Ltd.  
Notes to the Consolidated Financial Statements  
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For the year ended September 30, 2017

**7. Share capital (cont.)**

***Stock options (cont.)***

The options granted during the year ended September 30, 2017 were valued at \$472,270 (2016 - \$715,102) using the Black-Scholes Option Pricing Model and the following assumptions:

Expected life: 5 years  
Risk free rate: 0.63% - 1.15%  
Expected volatility: 120% - 136%  
Expected dividend rate: 0%  
Expected forfeiture rate: 0%

The following options were outstanding and exercisable as of September 30, 2017:

<b>Expiry date</b>	<b>Quantity</b>	<b>Exercise price</b>
February 5, 2018	100,000	\$1.05
March 17, 2021	850,000	\$0.25
April 7, 2021	120,000	\$0.25
May 20, 2021	520,000	\$0.15
August 15, 2021	1,630,000	\$0.355
September 16, 2021	200,000	\$0.28
March 1, 2022	3,100,000	\$0.195
	<b>6,520,000</b>	

At September 30, 2017, the weighted average remaining contractual life of options outstanding and exercisable was 4.00 years.

***Warrants***

The changes in warrants during the years ended September 30, 2017 and 2016 are as follows:

	<b>September 30, 2017</b>		<b>September 30, 2016</b>	
	<b>Number of warrants</b>	<b>Weighted average exercise price</b>	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Warrants outstanding, beginning	18,812,892	\$ 0.76	3,753,066	\$ 3.00
Warrants issued	15,126,107	0.20	14,626,671	0.20
Unit broker warrants issued	352,898	0.15	390,012	0.12
Unit broker warrants exercised	(9,625)	0.12	-	-
Broker warrants issued on exercise of broker units	9,625	0.18	39,643	0.15
Unit broker warrants issued	-	-	3,500	0.25
Warrants expired	(3,753,066)	3.00	-	-
Warrants outstanding, ending	<b>30,538,831</b>	<b>\$ 0.20</b>	<b>18,812,892</b>	<b>\$ 0.76</b>

**7. Share capital (cont.)**

***Warrants*** (cont.)

The following warrants were outstanding as of September 30, 2017:

<b>Expiry date</b>	<b>Quantity</b>	<b>Exercise price</b>
June 10, 2018	10,458,397	\$0.18
June 10, 2018	39,958	\$0.15
* June 10, 2018	327,425	\$0.12
June 28, 2018	2,048,274	\$0.18
June 28, 2018	9,310	\$0.15
* June 28, 2018	52,962	\$0.12
July 26, 2018	2,120,000	\$0.35
** July 26, 2018	3,500	\$0.25
February 27, 2019	15,126,107	\$0.20
*** February 27, 2019	352,898	\$0.15
	<b>30,538,831</b>	

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

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

\*\*\* Broker unit: entitles the holder thereof to purchase one unit of the Company until February 27, 2019 at an exercise price of \$0.15 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 \$0.20.

At September 30, 2017, the weighted average remaining contractual life of warrants outstanding was 1.07 years (September 30, 2016 – 1.55 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.

## 8. Related party transactions

The Company incurred the following transactions with related parties:

	September 30, 2017	September 30, 2016
Loss on debt settlement (Note 7)	\$ -	\$ 3,806
	\$ -	\$ 3,806

### *Key management personnel compensation*

	September 30, 2017	September 30, 2016
Administration, director and consulting fees	\$ 103,677	\$ 59,500
Management fees	180,000	86,546
Share based compensation	345,533	536,175
	\$ 629,210	\$ 682,221

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

	September 30, 2017	September 30, 2016
Due to companies controlled by directors	\$ 7,529	\$ -
Due to directors for reimbursement of expenses	-	13,201
Due to company with common directors	2,550	6,643
	\$ 10,079	\$ 19,844

The Company paid \$30,540 for shared rent and office service and \$8,304 for exploration costs to companies with common directors during the year ended September 30, 2017 (2016 - \$17,477). The two companies have directors in common.

During the year ended September 30, 2016, the Company acquired the Preview SW and Old Cabin properties from Select Sands (Note 5).

## 9. Flow-through share liability

For the purposes of calculation any premium related to the issuance of the flow-through units, the Company compared the market price of its shares to the subscription price of flow-through shares to determine if there was a premium paid on the flow-through shares (Note 7). As a result, the Company's flow-through liability on issuance of flow through shares in connection with private placements is as follows:

	Year ended September 30, 2017	Year ended September 30, 2016
Balance, beginning of the year	\$ 58,000	\$ -
Additions	107,000	58,000
Adjustments	6,480	-
Reversal	(64,480)	-
Balance, end of the year	\$ 107,000	\$ 58,000

As at September 30, 2017, the Company incurred sufficient expenditures and has no further commitment to spending in connection with its flow-through offerings. Upon renunciation of the qualifying expenditures incurred relating to the flow-through financing of \$641,502 on February 27, 2017, this liability will be reversed.

## 10. Income taxes

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

	September 30, 2017	September 30, 2016
Profit (loss) before income taxes	\$ (1,051,207)	\$ (1,633,253)
Corporate tax rate	26%	26%
Expected tax expense (recovery) at statutory tax rates	(273,314)	(424,646)
Non-deductible items	139,555	185,927
Share issuance costs	(25,285)	(30,005)
Other	(71,475)	106,848
Change in valuation allowance	230,519	161,876
	\$ -	\$ -

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

	September 30, 2017	September 30, 2016
Equipment	\$ 4,829	\$ 4,526
Exploration and evaluation assets	(21,417)	(96,794)
Share issuance costs	38,231	35,936
Non-capital loss carry-forwards	1,046,804	894,260
	1,068,447	837,928
Valuation allowance	(1,068,447)	(837,928)
Net deferred tax assets	\$ -	\$ -

As of September 30, 2017, the Company has non-capital losses of approximately \$4,026,169 to carry forward to reduce future year's taxable income, which expire between 2030 and 2037, and mineral resource pools of \$12,811,659 that have no expiry. 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.

## 11. 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, 2017			
Non-current assets	\$ 12,936,324	\$ 1	\$ 12,936,325
September 30, 2016			
Non-current assets	\$ 10,421,525	\$ 1	\$ 10,432,526

## **12. 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, 2017.

## **13. 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.