

Comstock Metals Ltd.
Consolidated Financial Statements
September 30, 2014

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, 2014 and 2013, 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 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, 2014 and 2013, 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 ACCOUNTANTS

Vancouver, Canada
December 5, 2014

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

	Notes	September 30, 2014	September 30, 2013
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 164,535	\$ 1,172,787
Receivables	5	4,075	48,697
Prepaid expenses		25,239	12,032
Current portion of loans	10	-	62,813
		193,849	1,296,329
Non-current assets			
Equipment	6	8,485	13,031
Exploration and evaluation assets	7	4,587,762	5,909,665
		4,596,247	5,922,696
TOTAL ASSETS		\$ 4,790,096	\$ 7,219,025
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities	8	\$ 98,195	\$ 209,025
Flow-through tax liability	9	28,641	64,574
TOTAL LIABILITIES		126,836	273,599
SHAREHOLDERS' EQUITY			
Share capital	9	8,581,866	8,571,866
Share-based payment reserve	9	1,009,668	1,009,668
Deficit		(4,928,274)	(2,636,108)
TOTAL EQUITY		4,663,260	6,945,426
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 4,790,096	\$ 7,219,025

Subsequent event (Note 15)

Approved on behalf of the Board:

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

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

	Notes	September 30, 2014	September 30, 2013
Expenses			
Amortization	6	\$ 6,219	\$ 3,814
Filing fees		14,268	47,676
Investor relations		39,428	164,639
Management fees	10	216,000	247,200
Office, administrative and miscellaneous	10	172,523	212,291
Professional fees		38,073	56,965
Property investigation		2,443	-
Rent	10	51,800	52,184
Stock-based compensation	9	-	256,802
Travel		4,791	13,498
		(545,545)	(1,055,069)
Other items			
Impairment of exploration and evaluation assets	7	(1,782,115)	(2,930)
Interest income	10	7,148	26,730
Flow-through liability reversed	9	35,933	279,754
Flow-through tax penalty		(7,587)	(3,538)
		(1,746,621)	300,016
Net and comprehensive loss for the year		\$ (2,292,166)	\$ (755,053)
Loss per share – basic and diluted		\$ (0.03)	\$ (0.01)

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

	Notes	Share capital		Share-based payment reserve	Deficit	Total
		Number of shares	Amount			
Balance at September 30, 2012		64,117,900	\$ 6,434,033	\$ 721,362	\$ (1,881,055)	\$ 5,274,340
Net loss					(755,053)	(755,053)
Shares issued for cash – warrants exercised	9	68,000	22,301	(4,101)	-	18,200
Shares issued for mineral properties	9	900,000	167,750	-	-	167,750
Shares issued for cash – private placement (flow-through)	9	13,563,854	2,463,750	-	-	2,463,750
Flow-through tax liability	9	-	(301,416)	-	-	(301,416)
Shares issued for cash – private placement (non-flow through)	9	330,000	49,500	-	-	49,500
Share issue costs - cash	9	-	(228,447)	-	-	(228,447)
Share issue costs –finder’s warrants	9	-	(35,605)	35,605	-	-
Stock-based compensation	9	-	-	256,802	-	256,802
Balance at September 30, 2013		78,979,754	8,571,866	1,009,668	(2,636,108)	6,945,426
Net loss		-	-	-	(2,292,166)	(2,292,166)
Shares issued for mineral properties	7,9	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

See accompanying notes to the consolidated financial statements

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

	September 30, 2014	September 30, 2013
Operating activities		
Net loss	\$ (2,292,166)	\$ (755,053)
Adjustments for non-cash items:		
Amortization	6,219	3,814
Impairment of exploration and evaluation assets	1,782,115	2,930
Stock-based compensation	-	256,802
Non-cash management fees	60,000	60,000
Non-cash administrative fees	60,000	60,000
Non-cash interest income	(946)	(3,750)
Flow-through liability reversed	(35,933)	(279,754)
Flow-through tax penalty	7,587	3,538
Changes in non-cash working capital items:		
Receivables	44,622	63,192
Prepaid expenses	(13,207)	(7,032)
Accounts payable and accrued liabilities	(174,971)	(868,378)
Net cash flows used in operating activities	(556,680)	(1,463,691)
Investing activities		
Accrued interest	313	673
Expenditures on equipment	(1,673)	(16,845)
Expenditures on exploration and evaluation assets	(450,212)	(2,175,792)
Net cash flows used in investing activities	(451,572)	(2,191,964)
Financing activities		
Proceeds on issuance of common shares - net	-	2,303,003
Net cash flows from financing activities	-	2,303,003
Decrease in cash and cash equivalents	(1,008,252)	(1,352,652)
Cash and cash equivalents, beginning	1,172,787	2,525,439
Cash and cash equivalents, ending	\$ 164,535	\$ 1,172,787

1. Nature and continuance of operations

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

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

These 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, 2014 the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, loans from directors and companies controlled by directors and or private placement of common shares.

2. Significant accounting policies and basis of preparation

The consolidated financial statements were authorized for issue on December 5, 2014 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, 2014	September 30, 2013
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 a Black-Scholes 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.

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.

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 and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, 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") and included in trade payables and accrued liabilities. 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 deferred 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, 2014 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. Cash and cash equivalents

	September 30, 2014	September 30, 2013
Cash at bank	\$ 164,535	\$ 365,287
Guaranteed investment certificates	-	807,500
	\$ 164,535	\$ 1,172,787

5. Receivables

	September 30, 2014	September 30, 2013
Value-added tax receivable	\$ 4,075	\$ 39,042
Other receivables	-	9,655
	\$ 4,075	\$ 48,697

6. Equipment

	Computer hardware	Computer software	Camp equipment	Office furniture and equipment	Total
Cost:					
At September 30, 2012	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	3,892	10,305	2,140	508	16,845
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
Amortization:					
At September 30, 2012	\$ -	\$ -	\$ -	\$ -	\$ -
Charge for the year	973	2,576	214	51	3,814
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
Net book value:					
At September 30, 2013	\$ 2,919	\$ 7,729	\$ 1,926	\$ 457	\$ 13,031
At September 30, 2014	\$ 2,714	\$ 3,865	\$ 1,541	\$ 365	\$ 8,485

Comstock Metals Ltd.
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
For the year ended September 30, 2014

7. Exploration and evaluation assets

	Canada		Mexico	Total for year ended September 30, 2014	Total for year ended September 30, 2013
	Kermode and QV	Walhalla	Corona		
Property acquisition costs					
Balance, beginning	\$ 398,886	\$ 416,989	\$ 144,833	\$ 960,708	\$ 583,269
Additions	200,000	-	-	200,000	377,439
Impairment write-down	-	(416,988)	(144,832)	(561,820)	-
Balance, ending	598,886	1	1	598,888	960,708
Exploration and evaluation costs					
Balance, beginning	3,766,322	86,244	1,096,391	4,948,957	2,835,594
Costs incurred during year:					
Assays and drilling	46,137	13,522	81	59,740	153,607
Camp and field costs	2,060	-	-	2,060	184,841
Claim maintenance	257	-	18,992	19,249	62,323
Community relations	-	-	-	-	6,975
Consulting	13,530	-	-	13,530	7,500
Drilling	950	-	-	950	439,021
Geochemical	37,322	375	-	37,697	71,758
Geological and geophysics	72,194	1,700	-	73,894	156,848
Helicopter	2,191	-	-	2,191	302,392
Maps and reports	3,835	650	-	4,485	66,791
Supplies and equipment	1,107	-	-	1,107	45,104
Travel and accommodation	1,060	-	-	1,060	82,267
Trenching	11,075	-	-	11,075	84,244
Vehicle	-	-	-	-	905
Wages and benefits	30,834	1,830	510	33,174	451,717
Impairment write-down	-	(104,321)	(1,115,974)	(1,220,295)	(2,930)
Balance, ending	3,988,874	-	-	3,988,874	4,948,957
Total	\$ 4,587,760	\$ 1	\$ 1	\$ 4,587,762	\$ 5,909,665

7. Exploration and evaluation assets (cont'd)

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

Kermode and QV Property, Yukon, Canada

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

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

The Kermode and QV Property is subject to a 2% Net Smelter Royalty ("NSR") to the optionor. The Company has the right to acquire 1% of the NSR for a payment of \$2,500,000.

During the year ended September 30, 2014, the Company completed all option requirements and earned a 100% interest in the property.

Walhalla Property, Yukon, Canada

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

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

During the year ended September 30, 2012, the Company paid \$100,000 toward the cash requirement. During the year ended September 30, 2013, the Company paid \$200,000 toward the cash requirement and issued 500,000 common shares with a fair value of \$115,000 (Note 8) toward the share requirement.

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

7. Exploration and evaluation assets (cont'd)

Walhalla Property, Yukon, Canada (cont'd)

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

Corona Property, Mexico

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

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

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

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

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

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

Walkiria Property, Mexico

On December 13, 2010, the Company signed a Letter Option Agreement ("Walkiria LOA") with GNG to earn up to a 75% interest in the Walkiria Property, located in the Chihuahua state of Mexico. Under the terms of the Walkiria LOA, the Company will have the exclusive option to, for a period of three years from the date of the agreement ("First Option Period"), to acquire a 60% undivided interest for the following consideration:

Date	Share issuances	Exploration expenditures
On Exchange Acceptance date	25,000 (issued)	\$ -
On or before August 10, 2012	50,000 (issued)	100,000
On or before August 10, 2013	75,000	100,000
On or before August 10, 2014	-	150,000
	150,000	\$ 350,000

If the Company completes all the requirements of the First Option Period, the Company will have be deemed to have acquired a 60% interest in the Walkiria Property and a joint venture will be deemed to be formed between the parties, unless the Company wishes to elect to earn the second option ("Second Option").

7. Exploration and evaluation assets (cont'd)

Walkiria Property, Mexico (cont'd)

Under the Second Option, the Company will have the exclusive option from the date of the exercise of the First Option until the date which is five years following the date of the Walkiria LOA to acquire an additional 15% undivided interest in the Walkiria Property by completing a scoping study or preliminary economic assessment on the Walkiria Property. During the year ended September 30, 2013, the Company decided not to complete the option agreement; therefore the Company wrote off capitalized costs of \$2,930.

8. Accounts payable and accrued liabilities

	September 30, 2014	September 30, 2013
Trade payables	\$ 67,408	\$ 182,284
Accrued liabilities	24,307	23,203
Flow-through tax penalty payable	6,480	3,538
	\$ 98,195	\$ 209,025

9. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At September 30, 2014 there were 79,229,754 issued and fully paid common shares (September 30, 2013 – 78,979,754).

September 30, 2014

The Company issued 250,000 common shares with a fair value of \$10,000 pursuant to the Kermode QV Property agreement (Note 7).

On December 31, 2014, the Company renounced expenditures of \$963,750 related to flow-through shares issued during the year ended September 30, 2013. A flow-through recovery of \$35,933 was recognized for this renunciation, representing the portion of expenditures incurred.

September 30, 2013

The Company issued 40,000 common shares for exercise of 40,000 finder's warrants at \$0.35 per share and issued 28,000 common shares for exercise of 28,000 finder's warrants at \$0.15 per share. The fair value of \$4,101 for warrants exercised was reallocated from share-based payment reserve to share capital.

The Company issued the following pursuant to mineral property agreements:

- a) 500,000 common shares with a fair value of \$115,000 to Seafield for the Walhalla Property (Note 7);
- b) 150,000 common shares with a fair value of \$24,000 to GNG for the Corona Property (Note 7); and
- c) 250,000 common shares with a fair value of \$28,750 for the Kermode QV Property (Note 7).

9. Share capital (cont'd)

The Company completed a private placement of 7,894,736 flow-through common shares at \$0.19 per share for gross proceeds of \$1,500,000. The Company paid cash share issuance costs of \$125,000 related to this private placement and issued 315,789 finder's warrants with a fair value of \$29,405. Each finder's warrant is exercisable at \$0.20 per share for a period of 18 months from the date of issuance. The Company recognized a flow-through tax liability of \$236,842 upon issuance of the 7,894,736 flow-through shares. During the year ended September 30, 2013, the Company renounced \$1,790,000 in exploration expenditures and recorded a flow-through tax recovery of \$279,754.

The Company completed a private placement of 5,669,118 flow-through common shares at \$0.17 per share for gross proceeds of \$963,750. The Company paid cash share issuance costs of \$76,447 related to this private placement and issued 100,118 finder's warrants with a fair value of \$6,200. Each finder's warrant is exercisable at \$0.27 per share for a period of one year from the date of issuance. The Company recognized a flow-through tax liability of \$64,574 upon issuance of the 5,669,118 flow-through shares. During the year ended September 30, 2014, the Company renounced \$963,750 in exploration expenditures, incurred exploration expenditures totaling \$536,295, and recorded a flow through recovery of \$35,933.

The Company completed a private placement of 330,000 non-flow-through units at \$0.15 per unit for gross proceeds of \$49,500. Each unit is comprised of one non-flow-through common share and one-half share purchase warrant. Each full warrant is exercisable at \$0.30 per share for a period of two years. The Company paid cash share issuance costs of \$27,000 related to this private placement.

Escrow

As of September 30, 2014, Nil common shares (September 30, 2013 – 2,221,800) are held in escrow.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended September 30, 2014 was based on the loss attributable to common shareholders of \$2,292,166 (2013 - \$755,053) and the weighted average number of common shares outstanding of 79,037,973 (2013 – 71,905,300).

Diluted loss per share did not include the effect of 3,765,000 (2013 – 3,890,000) stock options and 19,633,931 (2013 – 20,343,438) share purchase warrants as the effect would be anti-dilutive.

Stock options

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

9. Share capital (cont'd)

Stock options (cont'd)

The changes in options during the years ended September 30, 2014 and 2013 are as follows:

	September 30, 2014		September 30, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	3,890,000	\$ 0.26	2,125,000	\$ 0.30
Options granted	-	-	1,765,000	0.21
Options expired	(125,000)	0.30	-	-
Options outstanding, ending	3,765,000	\$ 0.26	3,890,000	\$ 0.26
Options exercisable, ending	3,765,000	\$ 0.26	3,805,000	\$ 0.26

At September 30, 2014, the weighted average remaining contractual life of options outstanding was 2.23 years.

September 30, 2013

On February 5, 2013, the Company granted 1,425,000 stock options to directors, officers, employees and consultants exercisable at \$0.21 per share. Of the total, 705,000 options are exercisable for a period of two years, and 720,000 options are exercisable for a period of five years. Stock based compensation expense related to this grant was \$177,916.

On June 3, 2013, the Company granted 25,000 stock options to a consultant exercisable at \$0.21 until February 7, 2015. Stock based compensation expense related to this grant was \$2,728.

On June 17, 2013, the Company granted 315,000 stock options to directors, officers, employees and consultants exercisable at \$0.21 per share for a period of 3 years. Stock based compensation expense related to this grant was \$34,380.

Stock based compensation expense in the year ended September 30, 2013 relating to prior year option grants totaled \$41,778.

Total stock based compensation expense for the year ended September 30, 2013 was \$256,802.

The fair values were determined using the Black-Scholes Option Pricing Model using the following assumptions:

	September 30, 2014	September 30, 2013
Expected life of options	n/a	2 – 5 years
Annualized volatility	n/a	126 – 137%
Risk-free interest rate	n/a	1.17 – 1.19%
Dividend rate	n/a	0%

9. Share capital (cont'd)

Warrants

The changes in warrants during the years ended September 30, 2014 and 2013 are as follows:

	September 30, 2014		September 30, 2013	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	20,343,438	\$ 0.29	24,390,531	\$ 0.30
Warrants issued	-	-	580,907	0.24
Warrants exercised	-	-	(68,000)	0.27
Warrants expired	(709,507)	0.19	(4,560,000)	0.35
Warrants outstanding, ending	19,633,931	\$ 0.39	20,343,438	\$ 0.29

At September 30, 2014, the weighted average remaining contractual life of options outstanding was 2.73 years.

The fair values were determined using the Black-Scholes option pricing model using the following assumptions:

	September 30, 2014	September 30, 2013
Expected life of options	n/a	1 – 1.5 years
Annualized volatility	n/a	139% – 144%
Risk-free interest rate	n/a	1.06% – 1.18%
Dividend rate	n/a	0%

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.

10. Related party transactions

Related party balances

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

	September 30, 2014	September 30, 2013
Current	\$ -	\$ 62,813
Non-current	-	-
	\$ -	\$ 62,813

These amounts bear interest at a rate of 3% per annum, are unsecured and repayable in three installments of \$62,500 (\$31,250 per loan), in addition to accrued interest, on each anniversary date, beginning on July 28, 2012. As at September 30, 2014, interest of \$Nil (September 30, 2013 - \$313) on the loans has been accrued. The loans may be repaid in whole or in any part at any time, without penalty.

During the year ended September 30, 2014, loan principal in the amount of \$62,500 (\$31,250 per loan) (2013 - \$62,500) was repaid and \$946 (\$473 per loan) of the accrued interest (2013 - \$3,802).

10. Related party transactions (cont'd)

Related party transactions

The Company incurred the following transactions with company's that are controlled by directors of the Company.

	September 30, 2014	September 30, 2013
Rent	\$ 51,800	\$ 52,184

Key management personnel compensation

	September 30, 2014	September 30, 2013
Administration fees	\$ 137,400	\$ 139,630
Consulting fees included in mineral property expenditures	6,300	6,313
Management fees	216,000	247,200
Stock-based compensation	-	135,509
	\$ 359,700	\$ 528,652

11. Income taxes

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

	September 30, 2014	September 30, 2013
Loss before income taxes	\$ (2,292,166)	\$ (755,053)
Corporate tax rate	26%	25%
Expected tax recovery at statutory tax rates	(595,963)	(188,763)
Non-deductible items	(5,753)	(3,168)
Share issuance costs	-	(57,362)
Flow-through renunciation	250,575	375,000
Other	75,400	(20,604)
Impact of tax rate changes	(15,565)	-
Change in valuation allowance	291,306	(105,103)
	\$ -	\$ -

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

	September 30, 2014	September 30, 2013
Equipment	\$ 3,236	\$ 1,557
Exploration and evaluation assets	(234,815)	(357,875)
Share issuance costs	80,592	117,984
Non-capital loss carry-forwards	792,632	588,673
	641,645	350,339
Valuation allowance	(641,645)	(350,339)
Net future tax assets	\$ -	\$ -

11. Income taxes (cont'd)

As of September 30, 2014, the Company has non-capital losses of approximately \$3,048,000 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.

12. 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, 2013			
Comprehensive loss for the year	\$ 755,053	\$ -	\$ 755,053
Total assets	\$ 5,977,801	\$ 1,241,224	\$ 7,219,025
September 30, 2014			
Comprehensive loss for the year	\$ 2,292,166	\$ -	\$ 2,292,166
Total assets	\$ 4,790,095	\$ 1	\$ 4,790,096

13. 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, 2014.

14. Financial instruments and risk management

The Company's financial instruments consist of cash and cash equivalents, receivables, loans and accounts payable. The carrying value of these financial instruments approximates their fair value. Cash and cash equivalents are 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.

14. Financial instruments and risk management (cont'd)

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 and cash equivalents, receivables, and loans. The Company manages credit risk by placing cash and cash equivalents with major Canadian financial institutions. Receivables are mostly due from the Government of Canada. 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.

15. Subsequent event

In November 2014, the Company staked 17 claims in the Cree-Key Lakes and Patterson South areas of Saskatchewan.