

Comstock Metals Ltd.
Condensed Interim Consolidated Financial Statements
Three Months Ended December 31, 2013

Expressed in Canadian Dollars
(Unaudited)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

	Notes	December 31, 2013	September 30, 2013
ASSETS			
Current assets			
Cash and cash equivalents	3	\$ 767,765	\$ 1,172,787
Receivables	4	27,470	48,697
Prepaid expenses		10,234	12,032
Current portion of loans		63,902	62,813
		869,371	1,296,329
Non-current assets			
Equipment	5	13,149	13,031
Exploration and evaluation assets	6	6,042,282	5,909,665
		6,055,431	5,922,696
TOTAL ASSETS		\$ 6,924,802	\$ 7,219,025
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities	7	\$ 43,230	\$ 209,025
Flow-through tax liability	8	-	64,574
TOTAL LIABILITIES		43,230	273,599
SHAREHOLDERS' EQUITY			
Share capital	8	8,571,866	8,571,866
Share-based payment reserve	8	1,009,668	1,009,668
Deficit		(2,699,962)	(2,636,108)
TOTAL EQUITY		6,881,572	6,945,426
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 6,924,802	\$ 7,219,025

Subsequent event (Note 10)

Approved on behalf of the Board:

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

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

	Notes	Three month periods ended	
		December 31, 2013	December 31, 2012
Expenses			
Amortization		\$ 1,555	\$ -
Filing fees		3,927	14,364
Investor relations		10,241	49,389
Management fees	9	46,800	46,800
Office, administrative and miscellaneous	9	45,497	27,886
Professional fees		8,666	601
Rent	9	12,750	12,000
Stock-based compensation	8	-	27,432
Travel		2,422	6,034
		(131,858)	(184,506)
Other items			
Impairment of exploration and evaluation assets	6	-	(2,930)
Interest income	9	3,430	6,476
Flow-through liability reversed	8	64,574	42,912
		68,004	46,458
Comprehensive loss for the period		\$ (63,854)	\$ (138,048)
Loss per share – basic and diluted		\$ -	\$ -

See accompanying notes to the consolidated financial statements

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

	Notes	Share capital		Share-based payment reserve	Deficit	Total
		Number of shares	Amount			
Balance at October 1, 2012		64,117,900	\$ 6,434,033	\$ 721,362	\$ (1,881,055)	\$ 5,274,340
Loss for the period		-	-	-	(138,048)	(138,048)
Shares issued for cash – warrant exercise		68,000	22,301	(4,101)	-	18,200
Shares issue for mineral property payment		500,000	115,000	-	-	115,000
Shares issued for cash – private placement (flow-through)		7,894,736	1,500,000	-	-	1,500,000
Flow-through tax liability		-	(236,842)	-	-	(236,842)
Share issue costs		-	(154,406)	29,406	-	(125,000)
Stock-based compensation		-	-	27,432	-	27,432
Balance at December 31, 2012		72,580,636	\$ 7,680,086	\$ 774,099	\$ (2,019,103)	\$ 6,435,082
Balance at October 1, 2013		78,979,754	\$ 8,571,866	\$ 1,009,668	\$ (2,636,108)	\$ 6,945,426
Loss for the period		-	-	-	(63,854)	(63,854)
Balance at December 31, 2013		78,979,754	\$ 8,571,866	\$ 1,009,668	\$ (2,699,962)	\$ 6,881,572

See accompanying notes to the consolidated financial statements

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

	Three month period ended	
	December 31, 2013	December 31, 2012
Operating activities		
Net loss	\$ (63,854)	\$ (138,048)
Adjustments for non-cash items:		
Amortization	1,555	
Impairment of exploration and evaluation assets	-	2,930
Stock-based compensation	-	27,432
Flow-through liability reversed	(64,574)	(42,912)
Changes in non-cash working capital items:		
Receivables	23,568	35,670
Prepaid expenses	1,798	(5,283)
Accounts payable and accrued liabilities	(165,795)	(848,519)
Net cash flows used in operating activities	(267,302)	(968,730)
Investing activities		
Accrued interest	(3,430)	(2,502)
Expenditures on equipment	(1,673)	-
Expenditures on exploration and evaluation assets	(132,617)	(427,774)
Net cash flows used in investing activities	(137,720)	(430,276)
Financing activities		
Proceeds on issuance of common shares - net of share issue costs	-	1,393,200
Net cash flows from financing activities	-	1,393,200
Decrease in cash and cash equivalents	(406,522)	(5,806)
Cash and cash equivalents, beginning	1,172,787	2,525,439
Cash and cash equivalents, ending	\$ 767,765	\$ 2,519,633

1. Nature and continuance of operations

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

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

These unaudited condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2013 the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, loans from directors and companies controlled by directors and or private placement of common shares.

2. Significant accounting policies and basis of preparation

The financial statements were authorized for issue on February 17, 2014 by the directors of the Company.

Statement of compliance

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Therefore, these financial statements comply with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

These interim financial statements do not include all of the information required of a full annual financial statements and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the Company for the year ended September 30, 2013. However, these interim financial statements, provides selected significant disclosures that are required in the annual financial statements under IFRS.

Basis of consolidation

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

	Country of incorporation	Percentage owned*	
		December 31, 2013	September 30, 2013
Minera Comstock, S.A., de C.V.	Mexico	100%	100%

*Percentage of voting power is in proportion to ownership.

3. Cash and cash equivalents

	December 31, 2013	September 30, 2013
Cash at bank	\$ 60,265	\$ 365,287
Guaranteed investment certificates	707,500	807,500
	\$ 767,765	\$ 1,172,787

4. Receivables

	December 31, 2013	September 30, 2013
HST receivable	\$ 15,473	\$ 39,042
Other receivables	11,997	9,655
	\$ 27,470	\$ 48,697

5. Equipment

	Computer hardware	Computer software	Camp equipment	Office furniture and equipment	Total
Cost:					
At September 30, 2013	\$ 3,892	\$ 10,305	\$ 2,140	\$ 508	\$ 16,845
Additions	1,673	-	-	-	1,673
At December 31, 2013	\$ 5,565	\$ 10,305	\$ 2,140	\$ 508	\$ 18,518
Amortization:					
At September 30, 2013	\$ 973	\$ 2,576	\$ 214	\$ 51	\$ 3,814
Charge for the period	469	967	96	23	1,555
At December 31, 2013	\$ 1,442	\$ 3,543	\$ 310	\$ 74	\$ 5,369
Net book value:					
At September 30, 2013	\$ 2,919	\$ 7,729	\$ 1,926	\$ 457	\$ 13,031
At December 31, 2013	\$ 4,123	\$ 6,762	\$ 1,830	\$ 434	\$ 13,149

6. Exploration and evaluation assets

	Canada		Mexico	Total for three month period ended December 31, 2013	Total for year ended September, 2013
	Kermode and QV	Walhalla	Corona		
Property acquisition costs					
Balance, beginning of period	\$ 398,886	\$ 416,989	\$ 144,833	\$ 960,708	\$ 583,269
Additions	-	-	-	-	377,439
Balance, end of period	398,886	416,989	144,833	960,708	960,708
Exploration and evaluation costs					
Balance, beginning of period	3,766,322	86,244	1,096,391	4,948,957	2,835,594
Costs incurred during period:					
Assays and drilling	23,471	13,522	-	36,993	153,607
Camp and field costs	1,861	-	-	1,861	184,841
Claim maintenance	-	-	9,222	9,222	62,323
Community relations	-	-	-	-	6,975
Consulting	13,530	-	-	13,530	7,500
Drilling	950	-	-	950	439,021
Geochemical	36,566	375	-	36,941	71,758
Geological and geophysics	6,013	1,700	-	7,713	156,848
Helicopter	362	-	-	362	302,392
Maps and reports	3,835	650	-	4,485	66,791
Supplies and equipment	66	-	-	66	45,104
Travel and accommodation	(520)	-	-	(520)	82,267
Trenching	11,075	-	-	11,075	84,244
Vehicle	-	-	-	-	905
Wages and benefits	9,939	-	-	9,939	451,717
Write-down due to impairment	-	-	-	-	(2,930)
Balance, end of period	3,873,470	102,491	1,105,613	5,081,574	4,948,957
Total	\$ 4,272,356	\$ 519,480	\$ 1,250,446	\$ 6,042,282	\$ 5,909,665

6. Exploration and evaluation assets (cont'd)

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

Kermode and QV Property, Yukon, Canada

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

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

The Kermode and QV Property is subject to a 2.0% Net Smelter Royalty ("NSR") to the optionor. The Company has the right to acquire 1.0% of the NSR for a payment of \$2,500,000. The June 22, 2013 option payment was paid on January 3, 2014 (Note 10).

Walhalla Property, Yukon, Canada

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

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

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

6. Exploration and evaluation assets (cont'd)

Corona Property, Mexico

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

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

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

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

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

7. Accounts payable and accrued liabilities

	December 31, 2013	September 30, 2013
Trade payables	\$ 39,692	\$ 182,284
Accrued liabilities	-	89,278
Flow-through tax penalty payable	3,538	3,538
	\$ 43,230	\$ 209,025

8. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At December 31, 2013 and September 30, 2013 there were 78,979,754 issued and fully paid common shares.

There were no shares issued during the three month period ended December 31, 2013.

During the year ended September 30, 2013, the Company recognized a flow-through tax liability of \$64,574 upon issuance of the 5,669,118 flow-through shares. During the three month period ended December 31, 2013, the Company renounced \$963,750 in exploration expenditures and recorded a flow-through tax recovery of \$64,754.

8. Share capital (cont'd)

Escrow

As of December 31, 2013, 2,221,800 (September 30, 2013 – 2,221,800) common shares are held in escrow and are to be released from escrow as follows: in two equal tranches of 1,110,900 on February 12, 2014 and August 12, 2014.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the three month period ended December 31, 2012 was based on the loss attributable to common shareholders of \$63,854 (2012 - \$138,048) and the weighted average number of common shares outstanding of 78,979,754 (2011 – 64,669,076).

Diluted loss per share did not include the effect of 3,890,000 stock options and 20,343,438 share purchase warrants as the effect would be anti-dilutive.

Stock options

The changes in options during the three month period ended December 31, 2013 are as follows:

	December 31, 2013	
	Number of options	Weighted average exercise price
Options outstanding, beginning	3,890,000	\$ 0.26
Options granted	-	-
Options exercised	-	-
Options outstanding, ending	3,890,000	\$ 0.26
Options exercisable, ending	3,835,000	\$ 0.26

At December 31, 2013, the weighted average remaining contractual life of options outstanding was 2.89 years.

Total stock based compensation expense for the three months ended December 31, 2013 was \$ nil (2012 -\$27,432).

Warrants

The changes in warrants during the three month period ended December 31, 2013 are as follows:

	December 31, 2013	
	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	20,343,438	\$ 0.29
Warrants issued	-	-
Warrants exercised	-	-
Warrants outstanding, ending	20,343,438	\$ 0.29

At December 31, 2013, the weighted average remaining contractual life of warrants outstanding was 3.38 years.

9. Related party transactions

Related party balances

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

	December 31, 2013	September 30, 2013
Current	\$ 63,902	\$ 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 December 31, 2013, interest of \$1,402 (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.

Related party transactions

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

	Three month periods ended	
	December 31, 2013	December 31, 2012
Rent	\$ 12,750	\$ 12,000

Key management personnel compensation

	Three month periods ended	
	December 31, 2013	December 31, 2012
Administration fees	\$ 22,470	\$ 18,720
Management fees	46,800	46,800
	\$ 69,270	\$ 65,520

10. Subsequent event

On January 3, 2014, the Company paid the \$60,000 option payment toward the Kermodé and QV Property (Note 6).