
**CHIEFTAIN METALS CORP.
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED MARCH 31, 2015
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)**

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Chieftain Metals Corp. (the "Corporation") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three and six months ended March 31, 2015 have not been reviewed by the Corporation's auditors.

Chieftain Metals Corp.

Condensed Interim Consolidated Statements of Financial Position (Unaudited - Expressed in Canadian Dollars)

	March 31, 2015	September 30, 2014
ASSETS		
Current assets		
Cash	\$ 1,876,770	\$ 4,920,920
Sales tax recoverable	18,647	30,268
Prepayments and other (notes 3 and 17)	321,338	363,239
	2,216,755	5,314,427
Non-current assets		
Restricted cash	25,000	25,000
Reclamation deposits (note 5)	2,067,000	2,067,000
Plant and equipment (note 4)	4,290,585	4,450,060
Mineral properties (note 5)	18,958,343	19,336,108
Total assets	\$ 27,557,683	\$ 31,192,595
EQUITY AND LIABILITIES		
Current liabilities		
Trade payables (notes 6 and 17)	\$ 1,029,878	\$ 1,615,707
Accrued liabilities (note 6)	1,107,619	549,684
Taxes payable other than on income (note 6)	3,179	2,110
Current portion of credit facility (note 8)	1,668,369	-
	3,809,045	2,167,501
Non-current liabilities		
Long-term provision for environmental remediation and mineral property reclamation liabilities (note 7)	920,772	894,333
Convertible debentures (note 9)	1,216,947	1,130,789
Bridge loan (note 11)	18,631,297	6,988,428
Non-current portion of credit facility (note 8)	4,375,000	5,893,780
Gold and silver loan payable (note 10)	-	13,859,690
Total liabilities	28,953,061	30,934,521
Shareholders' (deficiency) equity		
Issued capital (note 12)	47,792,694	47,792,694
Capital reserve (notes 13, 14 and 15)	3,913,420	4,174,748
Deficit	(53,101,492)	(51,709,368)
	(1,395,378)	258,074
Total (deficiency) equity and liabilities	\$ 27,557,683	\$ 31,192,595

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Nature of operations and going concern (note 1)
Commitment (note 18)

Approved by the Board:

(Signed) "Victor Wyprysky"
Victor Wyprysky, Director

(Signed) "Patrick Raleigh"
Patrick Raleigh, Director



Chieftain Metals Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited - Expressed in Canadian Dollars)

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
Operating expenses				
Salaries and benefits (note 17)	\$ 385,681	\$ 501,884	\$ 844,755	\$ 991,128
Exploration, evaluation, engineering and development	205,632	292,757	794,459	1,122,754
Professional fees	167,202	307,062	356,987	453,181
Interest and accretion expenses (notes 8,9 and 11)	971,299	161,299	1,522,255	304,541
Travel	26,487	42,438	89,539	121,909
Administrative and general (note 19)	162,123	184,503	265,059	331,233
Depreciation (note 4)	99,616	106,049	197,915	212,097
Reporting issuer costs	8,657	7,112	42,732	36,002
Loss from operating activities	(2,026,697)	(1,603,104)	(4,113,701)	(3,572,845)
Loss on gold and silver loan payable	-	(499,131)	(536,838)	(915,081)
Gain on settlement of gold and silver loan payable (note 10)	-	-	2,965,324	-
Interest income	4,849	12,529	17,841	26,378
Net loss and comprehensive loss	\$ (2,021,848)	\$ (2,089,706)	\$ (1,667,374)	\$ (4,461,548)
Basic and diluted net loss per share (note 16)	\$ (0.12)	\$ (0.12)	\$ (0.10)	\$ (0.27)
Weighted average number of common shares outstanding - basic and diluted	16,751,875	16,751,875	16,751,875	16,751,875

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.



Chieftain Metals Corp.**Condensed Interim Consolidated Statements of Changes in Shareholders' (Deficiency) Equity
(Unaudited - Expressed in Canadian Dollars)**

	Issued capital	Capital reserve	Deficit	Total
Balance, September 30, 2013	\$ 47,792,694	\$ 4,138,005	\$(42,279,130)	\$ 9,651,569
Share-based payments (note 15)	-	60,836	-	60,836
Expiry of stock options (note 15)	-	(27,513)	27,513	-
Net loss and comprehensive loss for the period	-	-	(4,461,548)	(4,461,548)
Balance, March 31, 2014	\$ 47,792,694	\$ 4,171,328	\$(46,713,165)	\$ 5,250,857
Balance, September 30, 2014	\$ 47,792,694	\$ 4,174,748	\$(51,709,368)	\$ 258,074
Share-based payments (note 15)	-	13,922	-	13,922
Expiry of stock options	-	(275,250)	275,250	-
Net income and comprehensive income for the period	-	-	(1,667,374)	(1,667,374)
Balance, March 31, 2015	\$ 47,792,694	\$ 3,913,420	\$(53,101,492)	\$ (1,395,378)

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.



Chieftain Metals Corp.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited - Expressed in Canadian Dollars)

Six months ended March 31,	2015	2014
Cash flows used in operating activities		
Net loss for the period	\$ (1,667,374)	\$ (4,461,548)
Depreciation	197,915	212,097
Unrealized loss on gold and silver loan payable	536,838	915,081
Gain on settlement of gold and silver loan payable (note 10)	(2,965,324)	-
Accrued interest expenses (note 8)	149,590	253,539
Share-based payments (note 15)	13,922	60,836
Accretion of Bridge Loan (note 11)	165,870	-
Accretion of convertible debentures (note 9)	86,158	-
Non-cash working capital items:		
Prepayments and other	41,901	149,756
Sales tax recoverable	11,621	46,485
Trade payables	(585,831)	(446,816)
Accrued liabilities	557,935	(8,791)
Taxes payable other than on income	1,069	(1,528)
	(3,455,710)	(3,280,889)
Cash flows used in financing activities		
Net proceeds from Bridge Loan (note 11)	11,627,000	-
Payment of transaction costs for deferral of interest payment (note 11)	(150,000)	-
Repayment of gold and silver loan payable (note 10)	(11,627,000)	-
	(150,000)	-
Cash flows provided by investing activities		
Compensation from settlement of expropriation of mineral properties (note 5)	600,000	-
Purchase of plant and equipment (note 4)	(38,440)	-
	561,560	-
Net change in cash	(3,044,150)	(3,280,889)
Cash, beginning of the period	4,920,920	5,057,936
Cash, end of the period	\$ 1,876,770	\$ 1,777,047

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.



Chieftain Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited - Expressed in Canadian Dollars) Three and Six Months Ended March 31, 2015

1. Nature of operations and going concern

Chieftain Metals Corp. ("Chieftain" or the "Corporation") was incorporated by articles of incorporation dated April 10, 2013 ("date of incorporation") under the Business Corporations Act (Ontario). The Corporation was incorporated for the purpose of completing an arrangement (the "Arrangement") under section 182 of the Business Corporations Act (Ontario), in which Chieftain Metals Corp. became the parent company of Chieftain Metals Inc. The Arrangement was approved by approximately 99.9% of the voted shares.

On May 22, 2013, Chieftain Metals Inc. and Chieftain announced that, effective May 22, 2013 (the "Effective Date"), the Arrangement previously announced on April 16, 2013 and approved by former shareholders of Chieftain Metals Inc. at the annual and special meeting of shareholders held on May 15, 2013 had been completed. Upon completion, the securities, including common shares, stock options and warrants of Chieftain Metals Inc. were exchanged on a one-for-one basis for securities, including common shares, stock options and warrants of Chieftain Metals Corp., with Chieftain Metals Inc. becoming a wholly-owned subsidiary of Chieftain Metals Corp. and Chieftain Metals Inc. shareholders becoming shareholders of Chieftain Metals Corp.

Effective at the open of markets on Friday, May 24, 2013, the common shares of Chieftain were listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the existing trading symbol of Chieftain Metals Inc., being "CFB", in substitution for the previously listed common shares of Chieftain Metals Inc. Pursuant to the Arrangement, commencing on the Effective Date, the directors and officers of Chieftain serve as directors and officers of Chieftain Metals Inc. as well.

Chieftain Metals Inc. was incorporated by articles of incorporation dated November 16, 2009 under the Business Corporations Act (Ontario). The Corporation's principal business activity is mineral exploration. The head office of the Corporation is located at 2 Bloor Street West, Suite 2510, Toronto, Ontario, M4W 3E2.

Since incorporation, Chieftain Metals Inc. has been focused entirely on the acquisition, exploration and development of its mineral property.

As the shareholders of Chieftain Metals Inc. ultimately continued to hold their respective interests in Chieftain and as the reorganization occurred between two related entities, there was no change in control. Accordingly, these unaudited condensed interim consolidated financial statements have been prepared on a continuity-of-interest basis.

On July 14, 2014, the TSX advised that it was reviewing the eligibility of the Corporation for continued listing as Chieftain's "public float", consisting of shares held by non-insiders, had fallen below the TSX threshold of \$2 million for 30 consecutive trading days. Under such circumstance the Company decided to transfer its listing from TSX to TSX Venture Exchange ("TSXV") to ensure liquidity continuity to shareholders. On November 14, 2014, the Corporation received conditional approval from TSXV to transfer its listing. Simultaneously, the Corporation voluntarily delisted its shares from TSX. Effective November 21, 2014, the Corporation started trading in the TSXV under the same ticker symbol "CFB".

These unaudited condensed interim consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

The Corporation is at the pre-development stage and in common with many development companies, it raises financing for its exploration, engineering and operational activities in discrete tranches. The Corporation has incurred a net loss for the six months ended March 31, 2015 of \$1,667,374, and had an accumulated deficit of \$53,101,492. In addition, the Corporation had a working capital deficiency of \$1,592,290 at March 31, 2015.



Chieftain Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian Dollars)

Three and Six Months Ended March 31, 2015

1. Nature of operations and going concern (continued)

The directors and management of the Corporation consider that further financing will be required to progress the Corporation's plans for the Tulsequah Property which consists of 62 mineral claims and Crown grants covering approximately 32,671 hectares in northwestern British Columbia, Canada (the "Tulsequah Property") and for operations. Should the Corporation not be able to raise additional financing, there exists significant doubt about its ability to continue as a going concern.

While there is no assurance these funds can be raised, the Corporation believes such financing will be available as required. The Corporation's discretionary exploration, engineering and/or operational activities do have considerable scope for flexibility in terms of the amount and timing of exploration, engineering and/or operational activities, and expenditures may be adjusted accordingly. The directors and management of the Corporation consider it appropriate to prepare these unaudited condensed interim consolidated financial statements on the going concern basis.

The Corporation's continuance as a going concern is dependent on its ability to obtain additional sources of financing, to successfully explore, evaluate and develop mineral projects and ultimately, to achieve profitable operations. The success of these endeavours cannot be predicted at this time. For reasons described in the previous paragraphs, these unaudited condensed interim consolidated financial statements do not reflect adjustments to the carrying values and classification of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern, and such adjustments may be material.

2. Summary of significant accounting policies

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements. The accounting policies applied by Chieftain in these unaudited condensed interim consolidated financial statements are the same as those applied by Chieftain in its most recent annual financial statements as at and for the year ended September 30, 2014 other than the changes in accounting policies discussed below. These unaudited condensed interim consolidated financial statements reflect all the adjustments necessary for the fair presentation of the results for the interim periods presented in accordance with International Financial Reporting Standards ("IFRS"). Results for the three and six months ended March 31, 2015 are not necessarily indicative of future results. These unaudited condensed interim consolidated financial statements were approved by the audit committee on behalf of the Board of Directors on May 21, 2015.

(b) Changes in accounting policies

IFRS 2 - Share-based payments ("IFRS 2") was issued by the IASB in December 2013. IFRS 2 clarifies the definition of "vesting conditions", and separately defines a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014. The Corporation's adoption of these amendments to IFRS 2 on October 1, 2014 did not have a material impact on the unaudited condensed interim consolidated financial statements.



Chieftain Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited - Expressed in Canadian Dollars) Three and Six Months Ended March 31, 2015

2. Summary of significant accounting policies (continued)

(c) Accounting Standards, Interpretations and Amendments to Existing Standards That Are Not Yet Effective

IFRS 9 – Financial instruments (“IFRS 9”) was issued by IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. This new standard is effective for annual periods beginning on or after January 1, 2018. The Corporation is currently assessing the impact that the adoption of this standard may have on the unaudited condensed interim consolidated financial statements.

3. Prepayments and other

	March 31, 2015	September 30, 2014
Deposits with service providers	\$ 250,000	\$ 250,000
Prepaid interest expense	-	6,347
Other	71,338	106,892
	\$ 321,338	\$ 363,239

4. Plant and equipment

COST	Water Treatment		
	Plant	Equipment	Total
Balance, September 30, 2014	\$ 5,056,067	\$ 528,863	\$ 5,584,930
Additions	-	38,440	38,440
Balance, March 31, 2015	\$ 5,056,067	\$ 567,303	\$ 5,623,370

ACCUMULATED DEPRECIATION	Water Treatment		
	Plant	Equipment	Total
Balance, September 30, 2014	\$ 933,427	\$ 201,443	\$ 1,134,870
Depreciation for the period	147,237	50,678	197,915
Balance, March 31, 2015	\$ 1,080,664	\$ 252,121	\$ 1,332,785

CARRYING AMOUNTS	Water Treatment		
	Plant	Equipment	Total
At September 30, 2014	\$ 4,122,640	\$ 327,420	\$ 4,450,060
At March 31, 2015	\$ 3,975,403	\$ 315,182	\$ 4,290,585



Chieftain Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited - Expressed in Canadian Dollars) Three and Six Months Ended March 31, 2015

5. Mineral properties

The Corporation's mineral properties, which currently consist of 62 mineral claims and Crown-grants covering approximately 32,671 hectares, are located in northwestern British Columbia, Canada. In addition to acquisition costs, in accordance with the accounting policy as disclosed in note 2(h) to the most recent annual consolidated financial statements for the year ended September 30, 2014, the Corporation has also capitalized the accretion of the provision for environmental remediation and mineral property reclamation liabilities and the accretion of the Gold and Silver Loan.

The following table reflects the continuity of mineral properties for the periods presented:

	March 31, 2015	September 30, 2014
Beginning balance	\$ 19,336,108	\$ 18,836,488
Change in estimate ⁽²⁾	-	(170,832)
Gold and silver loan accretion ⁽¹⁾⁽²⁾	195,796	610,160
Accretion ⁽¹⁾⁽²⁾	26,439	60,292
Compensation from settlement of expropriation of mineral properties ⁽³⁾	(600,000)	-
Ending balance	\$ 18,958,343	\$ 19,336,108

The Corporation keeps a required interest bearing reclamation bond of \$2,022,000 (September 30, 2014 - \$2,022,000) with respect to the Corporation's Tulsequah Property and a non-interest bearing deposit of \$45,000 (September 30, 2014 - \$45,000) with the British Columbia government regarding exploration permits. Management does not anticipate that the reclamation bond or the deposit will be returned to the Corporation within the next 12 months and accordingly, they have been recorded as a long-term asset.

⁽¹⁾ During the six months ended March 31, 2015, the Corporation capitalized accretion of the provision for environmental remediation and mineral property reclamation liabilities of \$26,439 and gold and silver loan accretion of \$195,796.

⁽²⁾ During the year ended September 30, 2014, the Corporation capitalized accretion of the provision for environmental remediation and mineral property reclamation liabilities of \$60,292, gold and silver loan accretion of \$610,160 and change in estimate of provision for environmental remediation and mineral property reclamation liability of (\$170,832) (note 10).

⁽³⁾ During the three and six months ended March 31, 2015, the Corporation received compensation of \$600,000 from the settlement of claim 513828, expropriated in 2012 by the British Columbia Government which has been recorded as a reduction of mineral property. Such claim is not related to any of the known deposits and is not part of the scope of the 2014 feasibility study.



Chieftain Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements
(Unaudited - Expressed in Canadian Dollars)
Three and Six Months Ended March 31, 2015

6. Trade payables, accrued liabilities and taxes payable other than on income

	March 31, 2015	September 30, 2014
Trade payables	\$ 1,029,878	\$ 1,615,707
Accrued liabilities	1,107,619	549,684
Taxes payable other than on income	3,179	2,110
	\$ 2,140,676	\$ 2,167,501

The following is an aged analysis of the trade payables, accrued liabilities and taxes payable other than on income:

	March 31, 2015	September 30, 2014
Less than one month	\$ 1,211,417	\$ 1,464,281
1 to 3 months	45,955	157,772
Greater than 3 months	883,304	545,448
	\$ 2,140,676	\$ 2,167,501

7. Provision for environmental remediation and mineral property reclamation liabilities

The Corporation assumed the liability for remediation of acid-mine drainage and certain other environmental disturbances remaining from the previous owner of the Tulsequah Property. The Corporation's obligation consists of costs related to two distinct activities; the installation of a water treatment plant and decommissioning of the mineral property and related assets after its expected closure.

	March 31, 2015	September 30, 2014
Beginning balance	\$ 894,333	\$ 1,004,873
Change in estimate (note 5 ⁽²⁾)	-	(170,832)
Accretion	26,439	60,292
Ending balance	\$ 920,772	\$ 894,333

The estimated total undiscounted cost associated with decommissioning of the mineral property after its expected closure in 2028, based on the Corporation's estimate and current stage of development, remained unchanged at \$2,022,000 during the six months ended March 31, 2015. This amount has been discounted using a pre-tax discount rate of 6%.

The change in estimate was due to the revision of the timing of expected closure from 2025 to 2028 according to the 2014 feasibility update issued on October 20, 2014.



Chieftain Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian Dollars)

Three and Six Months Ended March 31, 2015

8. Credit facility

On November 15, 2010, the Corporation secured with Teck Resources Limited the \$5,000,000 credit facility ("Credit Facility") which was used to finance the costs of the installation of the water treatment plant. The Credit Facility consists of a loan bearing interest at 6.0% per annum, with semi-annual principal payments of \$625,000 plus interest due commencing on January 1, 2013. On November 23, 2012, the commencement date of repayment and maturity date of the Credit Facility were amended for deferral of one year from January 1, 2013 to January 1, 2014. On December 2, 2013, the commencement date of repayment and maturity date of the Credit Facility were amended for a deferral of two additional years to January 1, 2016. The amount of these periodic payments shall equal 12.5% of the aggregate principal amount of the advances then outstanding. The loan is secured by the water treatment plant and related assets. As at March 31, 2015, the Corporation has drawn down all of the \$5,000,000 of this Credit Facility. As at March 31, 2015, the Corporation has included in the current portion of credit facility \$1,043,369 of interest towards the Credit Facility (September 30, 2014 - \$893,780 included in the non-current portion of credit facility).

As at March 31, 2015, minimum annual principal repayments of the Credit Facility are as follows:

	2016	2017	2018	2019
	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000

9. Convertible debentures

On August 15, 2013, the Corporation completed the initial tranche of a non-brokered private placement to a fund managed by West Face Capital Inc. ("West Face") (see note 17). The financing consisted of 900,000 common shares at \$0.80 per share, 54,000 common share purchase warrants and unsecured convertible debentures in the principal amount of \$500,000 for gross proceeds of \$1,220,000. The debentures mature on August 31, 2016, bear interest at a rate of 8% per annum and are convertible into common shares of the Corporation at the option of the holder at a conversion price of \$1.00 principal per common share (subject to adjustment). Total transaction costs of \$29,775 were incurred for the initial tranche of the private placement, of which \$12,203 was allocated to the convertible debentures and the remainder was allocated to the common shares and warrants. The net proceeds of \$487,797 of the convertible debentures were separated into liability component of \$318,653 and equity component of \$169,144 using the effective interest rate method with an effective interest rate of 15% per annum. The equity component of the convertible debentures was recorded in Chieftain's capital reserve. During the three and six months ended March 31, 2015, the Corporation recorded accretion expense of \$14,440 and \$28,663 respectively and interest expense of \$9,863 and \$19,945 respectively in interest expense in the unaudited condensed interim consolidated statement of loss and comprehensive loss.

On September 24, 2013, the Corporation completed the second tranche of a non-brokered private placement of unsecured convertible debentures in the principal amount of \$1,000,000 to a fund managed by West Face. The debentures mature on August 31, 2016, bear interest at a rate of 8% per annum and are convertible into common shares of the Corporation at the option of the holder at a conversion price of \$1.00 principal per common share (subject to adjustment). Total transaction costs of \$20,590 were incurred for the second tranche of the private placement. The net proceeds of \$979,410 of the convertible debentures were separated into liability component of \$649,674 and equity component of \$329,736 using the effective interest rate method with an effective interest rate of 15% per annum. The equity component of the convertible debentures was recorded in Chieftain's capital reserve. During the three and six months ended March 31, 2015, the Corporation recorded accretion expense of \$28,965 and \$57,495 respectively and interest expense of \$19,726 and \$39,891 respectively in interest expense in the unaudited condensed interim consolidated statement of loss and comprehensive loss.



Chieftain Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements
(Unaudited - Expressed in Canadian Dollars)
Three and Six Months Ended March 31, 2015

9. Convertible debentures (continued)

Both the August 15 and September 24, 2013 convertible debentures include a clause which would modify the conversion price in the event the Corporation makes a rights offering to all or substantially all of its shareholders at an offering price less than the fair market value of its shares on the offering date. This clause has been recognized by the Corporation as a derivative liability, though the likelihood of such an offering being made is considered sufficiently low that the liability has no value. This assumption will continue to be revised at each reporting period.

10. Gold and silver loan payable

On December 22, 2011, the Corporation entered into a gold and silver purchase transaction with a subsidiary of Denver-based Royal Gold, to sell a portion of the precious metals stream expected to be produced at the Tulsequah Property ("Gold and Silver Purchase and Sale Agreement"). The Corporation received an initial up-front payment from Royal Gold for US\$10-million (\$10,230,000 – the "Gold and Silver Loan"), with additional pro-rata payments of up to US\$50-million for the project build (upon satisfaction of certain conditions) during development of the project. In connection therewith, the Corporation granted security in favour of Royal Gold to secure repayment of such payments. In return for the payments, the Corporation would have been required to deliver to Royal Gold: (i) 12.50% of payable gold, receiving additional proceeds at US\$450/ounce for the first 48,000 ounces delivered, decreasing to 7.50% thereafter at US\$500/ounce; and (ii) 22.50% of payable silver, receiving additional proceeds at US\$5.00/ounce up to 2,775,000 ounces, decreasing to 9.75% thereafter at US\$7.50/ounce. In connection with the agreement, Royal Gold also received certain pre-emptive rights pertaining to the property. The Corporation expected the repayment to commence in approximately two years.

On July 4, 2014, the Corporation completed a secured and syndicated loan facility with West Face as agent for West Face Long Term Opportunities Global Master L.P., a fund managed by West Face (the "Bridge Loan") for an amount of \$7,500,000 plus the Canadian dollar equivalent of US\$10,000,000 (\$11,627,000 at December 23, 2014) (see note 11).

In connection with the Bridge Loan, the Corporation entered into an Amended Streaming Agreement with Royal Gold ("Amended Streaming Agreement"). The Amended Streaming Agreement established that in addition to the US\$10,000,000 received in December 2011, the Corporation may receive a US\$45,000,000 advance from Royal Gold for the project construction. In return, the Corporation was required to sell to Royal Gold 17.5% of gold production (up to 65,000 ounces) and 8.75% of the gold production thereafter, for cash proceeds of 30% of the daily London price quotation; as well as 25% of the silver production (up to 3,000,000 ounces) and 12.5% of the silver production thereafter, for cash proceeds of 25% of a recognized silver price quotation. The Gold and Silver Loan (which included the initial US\$10,000,000 advance and would also include US\$45,000,000 additional advance during project construction) would be repaid by the differential between the market price of gold and silver and the fixed rate as described above at the time of sale to Royal Gold. Any amount repaid in excess of the aggregate advances received would be considered interest expense on the Gold and Silver Loan.

The Amended Streaming Agreement superseded the December 2011 purchase and sales agreement with Royal Gold. As part of the Amended Streaming Agreement, Royal Gold had the option to discontinue its participation in the project by December 22, 2014 in which case West Face would advance the second tranche of the Bridge Loan (note 11) to satisfy the US\$10,000,000 (approximately \$11,200,000) Gold and Silver Loan. As a result, the Corporation presented the demand amount of US\$10,000,000 (approximately \$11,200,000) as part of long-term liabilities as at September 30, 2014 due to the source of refinancing provided by West Face through the second tranche of the Bridge Loan under the terms of the Amended Streaming Agreement. Royal Gold also had the option to discontinue its participation in the project by December 31, 2015 if certain conditions described in the Amended Streaming Agreement were not met by that date.



Chieftain Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian Dollars)

Three and Six Months Ended March 31, 2015

10. Gold and silver loan payable (continued)

This Gold and Silver Loan was accounted for as a financial liability carried at amortized cost. For that purpose, management determined an implicit interest rate to estimate the time of delivery of payable gold and silver which would be revised each quarter-end going forward. As at December 23, 2014, the date when the Gold and Silver Loan was repaid as discussed below, the value of this liability was estimated to be \$14,592,324. The Corporation used the following assumptions in the estimation of the value of the liability: gold price as at December 23, 2014: \$1,178 per ounce, silver price as at December 23, 2014: \$15.79 per ounce, foreign exchange rates of US dollar against Canadian dollar sourced from Bank of Canada, implicit interest rate of 5.57% based on certain management assumptions and production schedule as per the feasibility study.

On December 23, 2014, the Company announced that Royal Gold would not proceed with the Amended Streaming Agreement entered into on July 4, 2014. The Company repaid the US\$10,000,000 advanced by Royal Gold in December 2011 with proceeds of \$11,627,000 from the second tranche of the West Face Bridge Loan. A gain on settlement of gold and silver loan payable of \$2,965,324 resulted from the difference between the repayment amount of \$11,627,000 and the value of this liability at the time of repayment of \$14,592,324 and was recorded in the unaudited condensed interim consolidated statement of loss and comprehensive loss for the six months ended March 31, 2015. The security granted in favour of Royal Gold in connection with the Amended Streaming Agreement has been discharged.

11. Bridge loan

On July 4, 2014, the Corporation completed the secured and syndicated Bridge Loan with West Face as agent for West Face Long Term Opportunities Global Master L.P. for a total amount of \$19,127,000 including \$7,500,000 for the first tranche and \$11,627,000 for the second tranche which was the Canadian dollar equivalent of US\$10,000,000 fixed at December 23, 2014 exchange rate, date on which the second tranche was advanced from West Face for repayment of the US\$10,000,000 Gold and Silver Loan. The first tranche of the Bridge Loan, with gross proceeds of \$7,500,000, was advanced at closing at 95% of the total principal amount less certain legal costs and was used to update the Corporation's 2012 feasibility study relating to the construction of the permitted Tulsequah Chief Mine Project which encompasses 420 hectares within the Tulsequah Property (the "Tulsequah Chief Project" also referred to as the "Tulsequah Chief Mine Project" in Chieftain's BC environmental assessment certificate), as well as for general corporate purposes. The second tranche of \$11,627,000 was advanced on December 23, 2014 for the repayment of the Gold and Silver Loan (see note 10). The first tranche and second tranche of the Bridge Loan are due 24 months after July 4, 2014 with an interest rate of Libor plus 15%. No equity component is attached to the Bridge Loan.

In conjunction with the Bridge Loan, the Corporation, West Face and Royal Gold entered into an intercreditor agreement dated July 4, 2014 where the Corporation granted to both West Face and Royal Gold security over the Corporation's assets as collateral for the payment and performance of its obligations under both the Bridge Loan and the Gold and Silver Loan. As at March 31 2015, Chieftain had repaid the totality of the Gold and Silver Loan with the proceeds of the second tranche of the Bridge Loan.

During the three and six months ended March 31, 2015, the Company and West Face agreed to amend the terms of the Bridge Loan. Under the amendment, the parties agreed to defer all interest payments otherwise due on the Bridge Loan until March 31, 2016. During the deferral period, the Company will continue to accrue the regularly scheduled payments. The accrued interest will become payable on March 31, 2016. The Company paid West Face an amendment fee of \$150,000 on March 31, 2015 and will pay an additional \$200,000 amendment fee on March 31, 2016. The Company recorded this fee as part of the transaction costs of the Bridge Loan. The Bridge Loan has also been amended to provide that the loans made thereunder will mature and be due and payable in full on the earlier of (a) 21 calendar days after demand by West Face or (b) July 4, 2016.



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11. Bridge loan (continued)

The Bridge Loan was originally recorded at the value of the net proceeds received, being \$6,921,174 for the first tranche, \$11,627,000 for the second tranche and during the three and six months ended March 31, 2015 was reduced by the \$150,000 fee for deferral of interest payment. The Bridge Loan is being accreted to its face value over its term. During the three and six months ended March 31, 2015, the Corporation recorded \$729,456 and \$1,060,802, respectively, of interest expense and \$94,876 and \$165,870, respectively, of accretion on the Bridge Loan in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

12. Issued capital

- a) Authorized - Unlimited number of common shares
- b) Common shares issued

	Number of shares	Amount
Balance, September 30, 2013, March 31, 2014, September 30, 2014 and March 31, 2015	16,751,875	\$ 47,792,694

13. Capital reserve - warrants

The following table reflects the continuity of warrants for the periods presented:

	Number of warrants	Weighted average exercise price
Balance, September 30, 2013 and March 31, 2014	54,000	\$ 0.80
Balance, September 30, 2014 and March 31, 2015	-	\$ -

14. Capital reserve - broker and finders' warrants

The following table reflects the continuity of broker and finder warrants for the periods presented:

	Number of broker/finders' warrants	Weighted average exercise price
Balance, September 30, 2013 and March 31, 2014	75,000	\$ 0.80
Balance, September 30, 2014 and March 31, 2015	-	\$ -



Chieftain Metals Corp.

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15. Capital reserve - stock options

The following table reflects the continuity of stock options for the periods presented:

	Number of stock options	Weighted average exercise price
Balance, September 30, 2013	2,120,316	\$ 3.40
Expired	(13,333)	3.12
Cancelled stock options	(11,667)	2.47
Balance, March 31, 2014	2,095,316	\$ 3.41
Balance, September 30, 2014	2,055,316	\$ 3.44
Expired	(91,667)	5.08
Cancelled stock options	(8,333)	1.60
Balance, March 31, 2015	1,955,316	\$ 3.37

The following table reflects the actual stock options issued and outstanding as of March 31, 2015:

Expiry Date	Exercise price (\$)	Number of stock options	Number of stock options exercisable	Grant date fair value (\$)
September 9, 2015 (a)	3.10	364,498	-	639,038
November 14, 2020	5.00	589,235	589,235	1,825,273
January 18, 2021	5.85	132,000	132,000	479,833
May 16, 2021	4.65	80,000	80,000	230,648
August 16, 2021	4.45	12,000	12,000	34,553
January 3, 2017	4.97	12,583	12,583	47,098
September 21, 2017 (c)	3.25	25,000	25,000	58,350
September 11, 2023 (e)	1.60	720,000	480,000	113,041
April 28, 2017 (f)	0.75	20,000	20,000	1,446
		1,955,316	1,350,818	3,429,280

(a) On September 9, 2010, the Corporation granted the founding shareholders of the Corporation an aggregate of 364,498 stock options to purchase common shares, exercisable at a price of \$3.10 per option until September 9, 2015. These stock options are subject to a vesting schedule based on the earlier of: (i) satisfaction of certain milestones relating to the Tulsequah Property; (ii) the listing of the common shares on a stock exchange where the trading price is at least 200% of the exercise price for 20 consecutive trading days or a change in control of the Corporation at a price at least 200% of the exercise price; and (iii) termination by the Corporation of the optionee's employment within a prescribed period. These stock options have an estimated fair value at the time of grant of \$639,038, using the following assumptions: risk-free interest rate — 2.24%; expected life — 5 years; expected volatility — 75%; expected dividends — nil. The Corporation has estimated the vesting period to be 60 months from the date of grant. For the three and six months ended March 31, 2015, the impact on expenses was \$2,523 and \$5,102, respectively (three and six months ended March 31, 2014 - \$15,678 and \$31,704, respectively).



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Notes to Condensed Interim Consolidated Financial Statements

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Three and Six Months Ended March 31, 2015

15. Capital reserve - stock options (continued)

(b) On May 16, 2012, the Corporation granted an aggregate of 40,000 stock options to an officer and employee of the Corporation, with each option exercisable into one common share of the Corporation at a price of \$3.62 per option and expiring on May 16, 2017. The options vest to one-third upon the date of the grant, one-third on the first anniversary of the date of grant and one-third on the second anniversary of the date of grant. The stock options have an estimated fair value at the time of grant of \$107,960, using the following assumptions: risk-free interest rate — 1.41%; expected life — 5 years; expected volatility — 100%; expected dividends — nil. During the year ended September 30, 2013, 16,667 options granted to an officer were cancelled and 8,333 options granted to the officer expired unexercised. During the year ended September 30, 2014, 5,000 options granted to an officer were cancelled and 10,000 options granted to the officer expired unexercised. As at March 31, 2015, nil stock options remain outstanding. During the three and six months ended March 31, 2015, the impact on expenses was \$nil (three and six months ended March 31, 2014 - (\$10,981) and (\$9,280), respectively).

(c) On September 21, 2012, the Corporation granted an aggregate of 25,000 stock options to a consultant of the Corporation, with each option exercisable into one common share of the Corporation at a price of \$3.25 per option and expiring on September 21, 2017. The options vest to one-third upon the date of grant, one-third on the first anniversary of the date of the grant and one-third on the second anniversary of the date of the grant. The stock options have an estimated fair value at the time of grant of \$58,350, using the following assumptions: risk-free interest rate — 1.32%; expected life — 5 years; expected volatility — 100%; expected dividends — nil. During the three and six months ended March 31, 2015, the impact on expenses was \$nil (three and six months ended March 31, 2014 - \$2,410 and \$4,873, respectively).

(d) On July 8, 2013, the Corporation granted an aggregate of 50,000 stock options to an employee of the Corporation, with each option exercisable into one common share of the Corporation at a price of \$1.50 per option and expiring on July 7, 2023. The options vest to one-third upon the date of grant, one-third on the first anniversary of the date of the grant and one-third on the second anniversary of the date of the grant. The stock options have an estimated fair value at the time of grant of \$11,850, using the following assumptions: risk-free interest rate — 1.62%; expected life — 5 years; expected volatility — 53%; expected dividends — nil. During the year ended September 30, 2014, due to the termination of the employee, 33,333 options were cancelled, 16,667 options expired unexercised. As at March 31, 2015, nil options were outstanding. During the three and six months ended March 31, 2015, the impact on expenses was \$nil (three and six months ended March 31, 2014 - \$2,532 and \$4,025, respectively).

(e) On September 12, 2013, the Corporation granted an aggregate of 765,000 stock options to executive officers, directors, employees and consultants of the Corporation, with each option exercisable into one common share of the Corporation at a price of \$1.60 per option and expiring on September 11, 2023. The options vest as to one-third upon the date of grant, one-third on the first anniversary of the date of the grant and one-third on the second anniversary of the date of the grant. The stock options have an estimated fair value at the time of grant of \$120,105, using the following assumptions: risk-free interest rate — 1.93%; expected life — 5 years; expected volatility — 58%; expected dividends — nil. During the year ended September 30, 2014, 13,334 options granted to two officers were cancelled and 6,666 options granted to these two officers expired unexercised. During three and six months ended March 31, 2015, 8,333 options granted to an officer were cancelled and 16,667 options granted to this officer expired unexercised. As at March 31, 2015, 720,000 stock options remain outstanding. During the three and six months ended March 31, 2015, the impact on expenses was \$3,794 and \$8,708, respectively (three and six months ended March 31, 2014 - \$14,377 and \$29,514, respectively).



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Notes to Condensed Interim Consolidated Financial Statements (Unaudited - Expressed in Canadian Dollars) Three and Six Months Ended March 31, 2015

15. Capital reserve - stock options (continued)

(f) On April 28, 2014, the Corporation granted 20,000 stock options to a consultant of the Corporation, with each option exercisable into one common share of the Corporation at a price of \$0.75 per option and expiring on April 28, 2017. The options vest as to one-half upon the date of grant and one-half six months after the date of grant. The stock options have an estimated fair value at the time of grant of \$1,446, using the following assumptions: risk-free interest rate — 1.06%; expected life — 3 years; expected volatility — 95.99%; expected dividend — nil. During the three and six months ended March 31, 2015, the impact on expenses was \$nil and \$112, respectively (three and six months ended March 31, 2014 - \$nil).

16. Basic and diluted net loss per share

The calculation of basic and diluted loss per share for three and six months ended March 31, 2015 was based on the loss attributable to common shareholders of \$2,021,848 and \$1,667,374, respectively, (three and six months ended March 31, 2014 - loss of \$2,089,706 and \$4,461,548, respectively) and the weighted average number of common shares outstanding of 16,751,875 (three and six months ended March 31, 2014 - 16,751,875). Diluted loss per share did not include the effect of 1,955,316 stock options (March 31, 2014 - 2,095,316), nil warrants (March 31, 2014 - 54,000), nil broker warrants (March 31, 2014 - 75,000) and 1,500,000 common shares (March 31, 2014 - 1,500,000) issuable upon conversion of the convertible debentures as they were anti-dilutive during the three and six months ended March 31, 2015.

17. Related party balances and transactions

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standard 24 Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, including any directors (executive and non-executive) of the Corporation.

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, for similar transactions to non-key management personnel related entities on an arm's length basis.

The Corporation entered into the following transactions with related parties:

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
Portex Minerals Inc. ("Portex") (i)	\$ -	\$ 7,809	\$ -	\$ 15,618
Norton Rose Fulbright LLP ("Norton Rose") (ii)	\$ 20,629	\$ 85,586	\$ 77,278	\$ 112,518
Kenneth Sangster (iii)	\$ 4,000	\$ 18,000	\$ 20,000	\$ 28,000
Orca Geoscience ("Orca") (iv)	\$ 1,700	\$ 44,012	\$ 4,250	\$ 98,381
White Rain Holdings ("White Rain") (v)	\$ -	\$ -	\$ 1,800	\$ -



Chieftain Metals Corp.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited - Expressed in Canadian Dollars) Three and Six Months Ended March 31, 2015

17. Related party balances and transactions (continued)

(i) The Corporation shares office facilities, communication systems and related office expenses with Portex, in which Portex and Chieftain have common officers. The transactions represent charges to Portex for using a portion of Chieftain's office. As at March 31, 2015, the amount receivable from Portex is \$68,354 (September 30, 2014 - \$65,896) which was included in prepayments and other in the unaudited condensed interim consolidated statements of financial position.

(ii) One of the Corporation's directors is a partner of Norton Rose and the transactions represent the legal services provided by Norton Rose to Chieftain. As at March 31, 2015, the Corporation owed Norton Rose \$71,521 (September 30, 2014 - \$93,927) which was included in trade payables in the unaudited condensed interim consolidated statements of financial position.

(iii) Kenneth Sangster, one of the directors of the Corporation, is also a consultant and the transactions represent the consulting services provided by him to Chieftain. As at March 31, 2015, the Corporation owed Kenneth Sangster \$9,158 (September 30, 2014 - \$28,650) which was included in trade payables in the unaudited condensed interim consolidated statements of financial position.

(iv) One of the Corporation's directors is also a principal of Orca and the transactions represent the consulting services provided by Orca to Chieftain. As at March 31, 2015, the Corporation owed Orca \$nil (September 30, 2014 - \$nil).

(v) One of the Corporation's directors is also a principal of White Rain and the transactions represent the consulting services provided by White Rain for mine construction and development. As at March 31, 2015, the Corporation owed White Rain \$nil (September 30, 2014 - \$2,363).

To the knowledge of the directors and senior officers of the Corporation, as at March 31, 2015, no person or corporation beneficially owns or exercises control or direction over common shares of the Corporation carrying more than 10% of the voting rights attached to all common shares of the Corporation other than West Face which controls 25% of the common shares of the Corporation and Procon Holdings (Alberta) Inc. which controls 17% of the common shares of the Corporation. These holdings can change at any time at the discretion of the owners.

None of the Corporation's major shareholders have different voting rights other than holders of the Corporation's common shares.

The Corporation is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Corporation. To the knowledge of the Corporation, it is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

Remuneration of directors and key management personnel of the Corporation was as follows:

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
Salaries and benefits	\$ 276,500	\$ 336,184	\$ 571,180	\$ 691,592
Share-based payments	\$ 5,940	\$ 26,614	\$ 12,182	\$ 53,821



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18. Commitment

As at March 31, 2015, the Corporation is committed to future minimum payments under office rent as follows:

	Amount
For the year ended September 30, 2015	\$ 127,432
For the year ended September 30, 2016	169,909
For the year ended September 30, 2017	127,432
Total	\$ 424,773

19. Administrative and general

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2015	2014
Insurance	\$ 51,360	\$ 51,646	\$ 65,583	\$ 68,013
Rent	50,795	53,024	102,042	105,864
Office miscellaneous expenses	58,182	79,736	93,846	152,913
Foreign exchange loss	1,786	97	3,588	4,443
	\$ 162,123	\$ 184,503	\$ 265,059	\$ 331,233

