CHIEFTAIN METALS CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 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 months ended December 31, 2015 have not been reviewed by the Corporation's auditors.

Chieftain Metals Corp.

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

	December 31, 2015	September 30, 2015
ASSETS		
Current assets		
Cash	**$ 1,429,542**	$ 504,519
Sales tax recoverable	**21,566**	7,401
Prepayments and other (notes 3 and 15)	**336,780**	331,570
	1,787,888	843,490
Non-current assets		
Restricted cash	**25,000**	25,000
Reclamation deposits (note 5)	**2,067,000**	2,067,000
Plant and equipment (note 4)	**4,006,141**	4,094,475
Mineral properties (note 5)	**18,999,886**	18,985,946
Total assets	**$ 26,885,915**	$ 26,015,911
EQUITY AND LIABILITIES		
Current liabilities		
Trade payables (notes 6 and 15)	**$ 1,097,457**	$ 1,082,377
Accrued liabilities (note 6)	**281,153**	268,881
Taxes payable other than on income (note 6)	**2,225**	885
Bridge Loan (note 11)	**23,937,508**	21,581,291
Convertible debentures (note 9)	**1,359,724**	1,310,188
	26,678,067	24,243,622
Non-current liabilities		
Long-term provision for environmental remediation and mineral property reclamation liabilities (note 7)	**961,904**	947,993
Credit facility (note 8)	**6,269,397**	6,193,780
Total liabilities	**33,909,368**	31,385,395
Shareholders' (deficiency)		
Issued capital (note 12)	**47,792,694**	47,792,694
Capital reserve (note 13)	**3,287,412**	3,287,412
Deficit	**(58,103,559)**	(56,449,590)
	(7,023,453)	(5,369,484)
Total (deficiency) and liabilities	**$ 26,885,915**	$ 26,015,911

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 16)

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) Income and Comprehensive (Loss) Income
(Unaudited - Expressed in Canadian Dollars)

Three months ended December 31,	2015	2014
Operating expenses		
Salaries and benefits (note 15)	**$ 300,626**	$ 459,074
Exploration, evaluation, engineering and development	**163,247**	588,827
Professional fees	**53,245**	189,785
Interest and accretion expenses (notes 8,9 and 11)	**911,617**	550,956
Travel	**23,164**	63,052
Administrative and general	**116,530**	102,936
Depreciation (note 4)	**88,334**	98,299
Reporting issuer costs	**2,366**	34,075
Loss from operating activities	**(1,659,129)**	(2,087,004)
Loss on gold and silver loan payable	**-**	(536,838)
Gain on settlement of gold and silver loan payable (note 10)	**-**	2,965,324
Interest income	**5,160**	12,992
Net (loss) income and comprehensive (loss) income	**$ (1,653,969)**	$ 354,474
Basic and diluted net (loss) income per share (note 14)	**$ (0.10)**	$ 0.02
Weighted average number of common shares outstanding - basic and diluted	**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, 2014	**$ 47,792,694**	**$ 4,174,748**	**$ (51,709,368)**	**$ 258,074**
Share-based payments (note 13)	-	7,605	-	7,605
Net income and comprehensive income for the period	-	-	354,474	354,474
Balance, December 31, 2014	**$ 47,792,694**	**$ 4,182,353**	**$ (51,354,894)**	**$ 620,153**
Balance, September 30, 2015	**$ 47,792,694**	**$ 3,287,412**	**$ (56,449,590)**	**$ (5,369,484)**
Net loss and comprehensive loss for the period	-	-	(1,653,969)	(1,653,969)
Balance, December 31, 2015	**$ 47,792,694**	**$ 3,287,412**	**$ (58,103,559)**	**$ (7,023,453)**

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)

Three months ended December 31,	2015	2014
Cash flows used in operating activities		
Net (loss) income for the period	**$ (1,653,969)**	$ 354,474
Depreciation	**88,334**	98,299
Unrealized loss on gold and silver loan payable	**-**	536,838
Gain on settlement of gold and silver loan payable (note 10)	**-**	(2,965,324)
Accrued interest expenses on credit facility (note 8)	**75,617**	75,617
Accrued interest expenses on Bridge Loan (note 11)	**756,217**	-
Share-based payments (note 13)	**-**	7,605
Accretion of Bridge Loan (note 11)	**-**	70,994
Accretion of convertible debentures (note 9)	**49,536**	42,753
Non-cash working capital items:		
Prepayments and other	**(5,210)**	25,517
Sales tax recoverable	**(14,165)**	(28,865)
Trade payables	**15,080**	(517,582)
Accrued liabilities	**12,272**	(26,537)
Taxes payable other than on income	**1,340**	(1,927)
	(674,948)	(2,328,138)
Cash flows used in financing activities		
Net proceeds from Bridge Loan (note 11)	**-**	11,627,000
Net proceeds from demand Promissory Note (note 11)	**1,600,000**	-
Repayment of gold and silver loan payable (note 10)	**-**	(11,627,000)
	1,600,000	-
Cash flows provided by investing activities		
Purchase of plant and equipment	**-**	(3,292)
Acquisition of mineral properties	**(29)**	-
	(29)	(3,292)
Net change in cash	**925,023**	(2,331,430)
Cash, beginning of the period	**504,519**	4,920,920
Cash, end of the period	**$ 1,429,542**	$ 2,589,490

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

1. Nature of operations and going concern

Chieftain Metals Corp. ("Chieftain" or the "Corporation") is a reporting issuer, whose principal business is the acquisition, exploration and development of mineral properties. Chieftain was incorporated by articles of incorporation dated April 10, 2013 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. The Corporation trades on the TSX Venture Exchange under the ticker symbol “CFB”. The Corporation's year end is December 31st. The head office of the Corporation is located at 2 Bloor Street West, Suite 2510, Toronto, Ontario, M4W 3E2.

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 63 mineral claims and Crown grants covering approximately 32,688 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. During the three months ended December 31, 2015, the Corporation received $1.6 million in the form of a demand promissory note (note 11). The Corporation's discretionary exploration, engineering and/or operational activities also 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 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 three months ended December 31, 2015 of $1,653,969, and had an accumulated deficit of $58,103,559. In addition, the Corporation had a working capital deficiency of $24,890,179 at December 31, 2015. 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, 2015. 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”) issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee of the IASB. Results for the three months ended December 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 February 19, 2016.

(Unaudited - Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

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

IFRS 9 – Financial instruments ("IFRS 9") was issued by IASB in July 2014 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

	December 31, 2015	September 30, 2015
Deposits with service providers	$ 250,000	$ 250,000
Other	86,780	81,570
	$ 336,780	**$ 331,570**

4. Plant and equipment

COST	**Water Treatment Plant**	**Equipment**	**Total**
Balance, September 30, 2015 and December 31, 2015	**$ 5,056,067**	**$ 570,681**	**$ 5,626,748**

ACCUMULATED DEPRECIATION	**Water Treatment Plant**	**Equipment**	**Total**
Balance, September 30, 2015	**$ 1,227,902**	**$ 304,371**	**$ 1,532,273**
Depreciation for the period	68,360	19,974	88,334
Balance, December 31, 2015	**$ 1,296,262**	**$ 324,345**	**$ 1,620,607**

CARRYING AMOUNTS	**Water Treatment Plant**	**Equipment**	**Total**
At September 30, 2015	**$ 3,828,165**	**$ 266,310**	**$ 4,094,475**
At December 31, 2015	**$ 3,759,805**	**$ 246,336**	**$ 4,006,141**

(Unaudited - Expressed in Canadian Dollars)

5. Mineral properties

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

	December 31, 2015	September 30, 2015
Beginning balance	$ 18,985,946	$ 19,336,108
Gold and silver loan accretion (2)	-	195,796
Accretion (1)(2)	13,911	53,660
Compensation from settlement of expropriation of mineral properties (3)	-	(600,000)
Other	29	382
Ending balance	**$ 18,999,886**	**$ 18,985,946**

The Corporation keeps a required interest bearing reclamation bond of $2,022,000 (September 30, 2015 - $2,022,000) with respect to the Corporation's Tulsequah Property and a non-interest bearing deposit of $45,000 (September 30, 2015 - $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 three months ended December 31, 2015, the Corporation capitalized accretion of the provision for environmental remediation and mineral property reclamation liabilities of $13,911.

(2) During the year ended September 30, 2015, the Corporation capitalized accretion of the provision for environmental remediation and mineral property reclamation liabilities of $53,660 and gold and silver loan accretion of $195,796.

(3) During the year ended September 30, 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.

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

	December 31, 2015	September 30, 2015
Trade payables	$ 1,097,457	$ 1,082,377
Accrued liabilities	281,153	268,881
Taxes payable other than on income	2,225	885
	$ 1,380,835	$ 1,352,143

(Unaudited - Expressed in Canadian Dollars)

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

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

	December 31, 2015	September 30, 2015
Less than one month	$ 328,987	$ 308,520
1 to 3 months	31,274	15,760
Greater than 3 months	1,020,574	1,027,863
	$ 1,380,835	$ 1,352,143

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.

	December 31, 2015	September 30, 2015
Beginning balance	**$ 947,993**	**$ 894,333**
Accretion	13,911	53,660
Ending balance	**$ 961,904**	**$ 947,993**

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 three months ended December 31, 2015. This amount has been discounted using a pre-tax discount rate of 6%.

8. Credit facility

On November 15, 2010, the Corporation secured with Teck Resources Limited ("Teck Resources") 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 July 1, 2017. 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 December 31, 2015, the Corporation has drawn down all of the $5,000,000 of this Credit Facility. As at December 31, 2015, the Corporation has included in the credit facility $1,269,397 of interest (September 30, 2015 - $1,193,780). For the three months ended December 31, 2015, the Corporation recorded interest expense of $75,617 (three months ended December 31, 2014 - $75,617) in the unaudited condensed interim consolidated statements of (loss) income and comprehensive (loss) income.

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

2017	2018	2019	2020	2021
$ 625,000	$ 1,250,000	$ 1,250,000	$ 1,250,000	$ 625,000

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 15). 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 months ended December 31, 2015, the Corporation recorded accretion expense of $16,479 (three months ended December 31, 2014 - $14,223) and interest expense of $10,082 (three months ended December 31, 2014 - $10,082) in interest expense in the unaudited statements of (loss) income and comprehensive (loss) income.

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 months ended December 31, 2015, the Corporation recorded accretion expense of $33,057 (three months ended December 31, 2014 - $28,530) and interest expense of $20,165 (three months ended December 31, 2014 - $20,165) in interest expense in the unaudited condensed interim consolidated statements of (loss) income and comprehensive (loss) income.

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.

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 Gold and Silver Loan. 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.

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 of 1.163 sourced from Bank of Canada, implicit interest rate of 5.57% based on certain management assumptions and production schedule as per the feasibility study.

10. Gold and silver loan payable (continued)

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 (note 11). 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 income and comprehensive income for the three months ended December 31, 2014. The security granted in favour of Royal Gold in connection with the Amended Streaming Agreement was 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, the date on which the second tranche was advanced from West Face for repayment of the US$10,000,000 Gold and Silver Loan (note 10). 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. 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 December 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 year ended September 30, 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 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.

On December 22, 2015, the Corporation received $1,600,000 in the form of a demand promissory note (the "Promissory Note") from West Face Long Term Opportunities Global Master L.P., with West Face acting as the agent. The interest payment terms for this financing are governed by the terms of Chieftain’s existing Bridge Loan facility with West Face. The Promissory Note is repayable upon demand and is secured by the same assets as the Bridge Loan facility with West Face.

(Unaudited - Expressed in Canadian Dollars)

11. Bridge loan (continued)

In the event of default, in addition to the amounts mentioned above, the Company is obligated to pay additional interest on the Bridge Loan for a period of 90 days. The Company has not accrued this interest in the unaudited condensed interim consolidated financial statements as at December 31, 2015 as no triggering events for the default have occurred.

During the three months ended December 31, 2015, the Company accrued $749,980 interest expense (three months ended December 31, 2014 - $331,347) on the Bridge Loan and $6,237 interest expense (three months ended December 31, 2014 - $nil) on the Promissory Note in the unaudited condensed interim consolidated statements of (loss) income and comprehensive (loss) income.

During the three months ended December 31, 2015, the Company recorded accretion expense of $nil (three months ended December 31, 2014 - $70,994) on the Bridge Loan in the unaudited condensed interim consolidated statements of (loss) income and comprehensive (loss) income.

12. Issued capital

a) Authorized - Unlimited number of common shares

b) Common shares issued

	Number of shares	Amount
Balance, September 30, 2014, December 31, 2014, September 30, 2015 and December 31, 2015	**16,751,875**	**$ 47,792,694**

13. 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, 2014 and December 31, 2014	**2,055,316**	**$ 3.44**
Balance, September 30, 2015 and December 31, 2015	**1,590,818**	**$ 3.43**

(Unaudited - Expressed in Canadian Dollars)

13. Capital reserve - stock options (continued)

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

Expiry Date	Exercise price ($)	Number of stock options	Number of stock options exercisable	Grant date fair value ($)
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	3.25	25,000	25,000	58,350
September 11, 2023	1.60	720,000	720,000	113,041
April 28, 2017	0.75	20,000	20,000	1,446
		1,590,818	**1,590,818**	**2,790,242**

During the three months ended December 31, 2015, the Corporation recognized $nil in share-based payments (three months ended December 31, 2014 - $7,605) related to stock options granted in prior periods and vested during the periods presented.

14. Basic and diluted net (loss) income per share

The calculation of basic and diluted loss per share for the three months ended December 31, 2015 was based on the loss attributable to common shareholders of $1,653,969 (three months ended December 31, 2014 - income of $354,474) and the weighted average number of common shares outstanding of 16,751,875 (three months ended December 31, 2014 - 16,751,875). Diluted loss per share did not include the effect of 1,590,818 stock options (three months ended December 31, 2014 - 2,055,316), and 1,500,000 common shares (three months ended December 31, 2014 - 1,500,000) issuable upon conversion of the convertible debentures as they were anti-dilutive and out-of-the-money during the periods presented.

15. 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.

(Unaudited - Expressed in Canadian Dollars)

15. Related party balances and transactions (continued)

The Corporation entered into the following transactions with related parties:

Three Months Ended December 31,		2015		2014
Portex Minerals Inc. ("Portex") (i)	$	-	$	(2,175)
Norton Rose Fulbright LLP ("Norton Rose") (ii)	$	14,600	$	56,649
Kenneth Sangster (iii)	$	-	$	16,000
Orca Geoscience ("Orca") (iv)	$	-	$	2,550
White Rain Holdings (“White Rain”) (v)	$	-	$	1,800

(i) The Corporation shares office facilities, communication systems and related office expenses with Portex, in which Portex and Chieftain had common officers. The transactions represent charges to Portex for using a portion of Chieftain's office. As at December 31, 2015, the amount receivable from Portex is $68,354 (September 30, 2015 - $68,354) 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 December 31, 2015, the Corporation owed Norton Rose $114,903 (September 30, 2015 - $100,773) 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 December 31, 2015, the Corporation owed Kenneth Sangster $nil (September 30, 2015 - $nil).

(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 December 31, 2015, the Corporation owed Orca $nil (September 30, 2015 - $3,690).

(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 December 31, 2015, the Corporation owed White Rain $nil (September 30, 2015 - $3,780).

To the knowledge of the directors and senior officers of the Corporation, as at December 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.

(Unaudited - Expressed in Canadian Dollars)

15. Related party balances and transactions (continued)

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

Three Months Ended December 31,		**2015**		**2014**
Salaries and benefits	$	216,932	$	294,680
Share-based payments	$	-	$	6,242

16. Commitment

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

		Amount
For the year ended September 30, 2016	$	127,432
For the year ended September 30, 2017		169,909
Total	**$**	**297,341**

In addition, the Corporation is committed to pay a $200,000 bridge loan amendment fee on March 31, 2016 which is included in the portion of Bridge Loan liability (note 11).