

---

**CHILEAN METALS INC.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2018**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

---

**NOTICE TO READER**

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

# Chilean Metals Inc.

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

|  | As at<br>March 31,<br>2018 | As at<br>December 31,<br>2017 |
|--|----------------------------|-------------------------------|
| <b>ASSETS</b>  |                            |                               |
| <b>Current assets</b>  |                            |                               |
| Cash   | \$ 32,509                  | \$ 59,383                     |
| Marketable securities  | 33,668                     | 33,668                        |
| Amounts receivable   | 26,332                     | 20,519                        |
| Advances, prepaid expenses and deposits (note 13)                    | 160,255                    | 221,858                       |
| <b>Total current assets</b>  | <b>252,764</b>             | <b>335,428</b>                |
| <b>Non-current assets</b>  |                            |                               |
| Prepaid expenses   | 26,042                     | 57,292                        |
| Equipment (note 5)   | 5,551                      | 6,001                         |
| <b>Total assets</b>  | <b>\$ 284,357</b>          | <b>\$ 398,721</b>             |
| <b>EQUITY AND LIABILITIES</b>  |                            |                               |
| <b>Current liabilities</b>   |                            |                               |
| Accounts payable and accrued liabilities<br>(notes 13(a)(vi) and 15) | \$ 1,377,579               | \$ 1,078,170                  |
| Debentures payable (note 7)  | 343,674                    | 303,850                       |
| <b>Total current liabilities</b>                                     | <b>1,721,253</b>           | <b>1,382,020</b>              |
| <b>Non-current liabilities</b>                                       |                            |                               |
| Other liabilities (note 8)   | 69,554                     | 69,554                        |
| <b>Total liabilities</b>   | <b>1,790,807</b>           | <b>1,451,574</b>              |
| <b>Shareholders' equity (deficiency)</b>                             |                            |                               |
| Issued capital (note 9)  | 55,322,165                 | 55,261,850                    |
| Shares to be issued (note 13(a)(iv))                                 | 120,000                    | 60,315                        |
| Contributed surplus  | 4,190,817                  | 4,190,817                     |
| Warrants (note 11)   | 418,622                    | 418,622                       |
| Deficit  | (61,558,054)               | (60,984,457)                  |
| <b>Total shareholders' equity (deficiency)</b>                       | <b>(1,506,450)</b>         | <b>(1,052,853)</b>            |
| <b>Total equity (deficiency) and liabilities</b>                     | <b>\$ 284,357</b>          | <b>\$ 398,721</b>             |

**Nature of operations and going concern** (note 1)

**Subsequent events** (notes 9, 13 and 16)

**Commitments and contingencies** (notes 7 and 15)

On behalf of the Board:

(Signed) Terry Lynch  
Terry Lynch, Director

(Signed) Peter Kent  
Peter Kent, Director

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

---

**Chilean Metals Inc.****Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**Three months ended**  
**March 31,**  
**2018                      2017**  
(note 4)

---

**Administrative expenses**

|  |            |            |
|--|------------|------------|
| Administration fees (note 13)              | \$ 205,150 | \$ 124,439 |
| Amortization (note 5)                      | 450        | 643        |
| Bank and interest charges (note 7)         | 40,443     | 30,254     |
| Exploration and acquisition costs (note 6) | 131,618    | 714,947    |
| Foreign exchange loss (gain)               | 33,737     | (76,057)   |
| Investor relations                         | 88,675     | 25,475     |
| Office and miscellaneous                   | 14,563     | 29,094     |
| Professional fees (note 13)                | 37,490     | 24,074     |
| Share-based payments (note 10)             | -          | 57,460     |
| Transfer agent and regulatory              | 12,029     | 14,253     |
| Travel, promotion and mining shows         | 9,442      | 19,929     |

---

|                                       |           |           |
|---------------------------------------|-----------|-----------|
| Net operating loss before other items | (573,597) | (964,511) |
|---------------------------------------|-----------|-----------|

---

**Other items**

|  |   |       |
|--|---|-------|
| Unrealized gain on warrant liability (note 11) | - | 2,376 |
|--|---|-------|

---

|   |                     |                     |
|---|---------------------|---------------------|
| <b>Net loss and comprehensive loss for the period</b> | <b>\$ (573,597)</b> | <b>\$ (962,135)</b> |
|---|---------------------|---------------------|

---

|   |                  |                  |
|---|------------------|------------------|
| <b>Basic and diluted net loss per share (note 12)</b> | <b>\$ (0.03)</b> | <b>\$ (0.05)</b> |
|---|------------------|------------------|

---

|   |                   |                   |
|---|-------------------|-------------------|
| <b>Weighted average number of common shares outstanding - basic and diluted (note 12)</b> | <b>21,418,915</b> | <b>18,870,416</b> |
|---|-------------------|-------------------|

---

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

---

**Chilean Metals Inc.****Condensed Consolidated Interim Statements of Cash Flows****(Expressed in Canadian Dollars)****(Unaudited)**

**Three months ended**  
**March 31,**  
**2018                      2017**  
(note 4)

---

**Operating activities**

|  |              |              |
|--|--------------|--------------|
| Net loss for the period                  | \$ (573,597) | \$ (962,135) |
| Items not affecting cash:                |              |              |
| Amortization                             | 450          | 643          |
| Share-based payments                     | -            | 57,460       |
| Accrued interest                         | 39,824       | 27,752       |
| Shares to be issued on settlements       | 120,000      | -            |
| Unrealized gain on warrant liability     | -            | (2,376)      |
| Non-cash working capital items:          |              |              |
| Amounts receivable                       | (5,813)      | 2,145        |
| Advances, prepaid expenses and deposits  | 92,853       | 15,963       |
| Accounts payable and accrued liabilities | 299,409      | 263,748      |

---

|  |                 |                  |
|--|-----------------|------------------|
| <b>Net cash used in operating activities</b> | <b>(26,874)</b> | <b>(596,800)</b> |
|--|-----------------|------------------|

---

**Financing activities**

|                               |   |          |
|-------------------------------|---|----------|
| Proceeds on private placement | - | 25,000   |
| Share issue costs             | - | (875)    |
| Warrants exercised            | - | 1,531    |
| Issuance of debentures        | - | 210,000  |
| Debenture issue costs         | - | (11,025) |

---

|  |          |                |
|--|----------|----------------|
| <b>Net cash provided by financing activities</b> | <b>-</b> | <b>224,631</b> |
|--|----------|----------------|

---

|                           |                 |                  |
|---------------------------|-----------------|------------------|
| <b>Net change in cash</b> | <b>(26,874)</b> | <b>(372,169)</b> |
|---------------------------|-----------------|------------------|

|                                  |               |                |
|----------------------------------|---------------|----------------|
| <b>Cash, beginning of period</b> | <b>59,383</b> | <b>535,281</b> |
|----------------------------------|---------------|----------------|

---

|                            |                  |                   |
|----------------------------|------------------|-------------------|
| <b>Cash, end of period</b> | <b>\$ 32,509</b> | <b>\$ 163,112</b> |
|----------------------------|------------------|-------------------|

---

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

# Chilean Metals Inc.

## Condensed Consolidated Interim Statements of Changes in Equity (Expressed in Canadian Dollars) (Unaudited)

|                                       | Common Shares         |                          | Shares to<br>be issued | Contributed<br>Surplus  | Warrants              | Deficit<br>(note 4)       | Total                     |
|---------------------------------------|-----------------------|--------------------------|------------------------|-------------------------|-----------------------|---------------------------|---------------------------|
|                                       | Number                | Amount                   |                        |                         |                       |                           |                           |
| <b>Balance, December 31, 2016</b>     | <b>18,834,325</b>     | <b>\$ 54,299,990</b>     | <b>\$ -</b>            | <b>\$ 4,131,363</b>     | <b>\$ 126,782</b>     | <b>\$(58,536,192)</b>     | <b>\$ 21,943</b>          |
| Private placements                    | 41,667                | 25,000                   | -                      | -                       | -                     | -                         | 25,000                    |
| Share issuance cost                   | -                     | (875)                    | -                      | -                       | -                     | -                         | (875)                     |
| Exercise of warrants                  | 5,469                 | 1,531                    | -                      | -                       | -                     | -                         | 1,531                     |
| Value of warrants exercised           | -                     | 1,947                    | -                      | -                       | (1,947)               | -                         | -                         |
| Warrants issued on debentures         | -                     | -                        | -                      | -                       | 99,950                | -                         | 99,950                    |
| Share-based payments                  | -                     | -                        | -                      | 57,460                  | -                     | -                         | 57,460                    |
| Net comprehensive loss for the period | -                     | -                        | -                      | -                       | -                     | (962,135)                 | (962,135)                 |
| <b>Balance, March 31, 2017</b>        | <b>18,881,461</b>     | <b>\$ 54,327,593</b>     | <b>\$ -</b>            | <b>\$ 4,188,823</b>     | <b>\$ 224,785</b>     | <b>\$(59,498,327)</b>     | <b>\$ (757,126)</b>       |
| <br><b>Balance, December 31, 2017</b> | <br><b>21,318,390</b> | <br><b>\$ 55,261,850</b> | <br><b>\$ 60,315</b>   | <br><b>\$ 4,190,817</b> | <br><b>\$ 418,622</b> | <br><b>\$(60,984,457)</b> | <br><b>\$ (1,052,853)</b> |
| Shares to be issued                   | 100,525               | 60,315                   | (60,315)               | -                       | -                     | -                         | -                         |
| Shares to be issued on settlements    | -                     | -                        | 120,000                | -                       | -                     | -                         | 120,000                   |
| Net comprehensive loss for the period | -                     | -                        | -                      | -                       | -                     | (573,597)                 | (573,597)                 |
| <b>Balance, March 31, 2018</b>        | <b>21,418,915</b>     | <b>\$ 55,322,165</b>     | <b>\$ 120,000</b>      | <b>\$ 4,190,817</b>     | <b>\$ 418,622</b>     | <b>\$(61,558,054)</b>     | <b>\$ (1,506,450)</b>     |

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

---

# **CHILEAN METALS INC.**

## **Notes to Condensed Consolidated Interim Financial Statements**

**Three Months Ended March 31, 2018**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

---

### **1. Nature of operations and going concern**

Chilean Metals Inc. (the "Company") is a mining exploration company and is in the business of acquiring and exploring mineral properties in Chile and Nova Scotia. There has been no determination whether properties held contain ore reserves, which are economically recoverable.

The Company is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company's shares are listed on the TSX Venture Exchange ("TSX-V"), OTCQB and Santiago Stock Exchange, Venture Market. The head office and principal address of the Company are located at the Canadian Venture Building, 82 Richmond Street East, Suite 202, Toronto, Ontario, M5C 1P1. The Company's registered and records office address is at Suite 700 – 595 Burrard Street, PO Box 49290, Vancouver, British Columbia, Canada, V7X 1S8.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

These unaudited condensed consolidated interim financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. These unaudited condensed consolidated interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. During the three months ended March 31, 2018, the Company incurred a net loss of \$573,597 (three months ended March 31, 2017 - \$962,135). As at March 31, 2018, the Company has incurred significant losses since inception totaling \$61,558,054 (December 31, 2017 - \$60,984,457). As at March 31, 2018, the Company has a working capital deficiency of \$1,468,489 (December 31, 2017 - \$1,046,592); the continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing (see note 16). Management is of the opinion that additional funds will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern and accordingly use accounting principles applicable to a going concern.

### **2. Basis of presentation**

These unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018, including comparatives, have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. These unaudited condensed consolidated interim financial statements may not include all information and note disclosures required by IFRS for annual financial statements and therefore, should be read in conjunction with the annual audited financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS.

These unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018 were approved and authorized for issue by the Company's Board of Directors on May 29, 2018.

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis under the historical cost convention, except for the revaluation of certain financial instruments. In addition, these unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

---

# CHILEAN METALS INC.

## Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

---

### 3. Significant accounting policies

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRSs issued and outstanding as of May 29, 2018, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2017, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2018 could result in restatement of these unaudited condensed consolidated interim financial statements.

#### Recent accounting pronouncements

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods on or after January 1, 2019 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IFRS 16, Leases ("IFRS 16") was issued in January 2016, and supersedes IAS 17, Leases. This standard introduces a single lessee accounting model. The new standard will affect the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position, including for most leases which are currently accounted for as operating leases. The Standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers has also been applied.

(ii) IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

### 4. Change in accounting policies

(i) The Company adopted the following accounting pronouncement during the period.

IFRS 9 - Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions 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, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. At January 1, 2018, the Company adopted these amendments.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

---

**CHILEAN METALS INC.****Notes to Condensed Consolidated Interim Financial Statements****Three Months Ended March 31, 2018****(Expressed in Canadian Dollars)****(Unaudited)**

---

**4. Change in accounting policies (continued)**

(i) (continued) Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on January 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

---

| <b>Classification</b>                    | <b>IAS 39</b>         | <b>IFRS 9</b>  |
|--|-----------------------|----------------|
| Cash                                     | Loans and receivables | FVTPL          |
| Amounts receivable                       | Loans and receivables | Amortized cost |
| Advances                                 | Loans and receivables | Amortized cost |
| Marketable securities                    | FVTPL                 | FVTPL          |
| Accounts payable and accrued liabilities | Amortized cost        | Amortized cost |
| Debentures payable                       | Amortized cost        | Amortized cost |
| Other liabilities                        | Amortized cost        | Amortized cost |

---

(ii) During the year ended December 31, 2017 the Company changed its accounting policy for mineral exploration properties to recognize these costs in the statements of loss and comprehensive loss in the period incurred, as permitted under IFRS 6, Exploration for and Evaluation of Mineral Resources. Management judges that the change in accounting policy will result in clearer, more relevant and reliable financial information.

The previous accounting policy was that exploration and evaluation expenditures were capitalized in respect of each identifiable area of interest, once the legal right to explore had been acquired, until the technical feasibility and commercial viability of extracting a mineral resource was demonstrated.

The impact of this change on the previously reported financial statements for the three months ended March 31, 2017 are as follows:

**(i) Statement of Loss and Comprehensive Loss**

| <b>Three months ended March 31, 2017</b>     | <b>As previously reported (\$)</b> | <b>Adjustment (\$)</b> | <b>Restated (\$)</b> |
|--|------------------------------------|------------------------|----------------------|
| Exploration and evaluation expenditures      | -                                  | (714,947)              | (714,947)            |
| Net loss and comprehensive loss for the year | (247,188)                          | (714,947)              | (962,135)            |

**(ii) Statement of Cash Flows**

| <b>Three months ended March 31, 2017</b> | <b>As previously reported (\$)</b> | <b>Adjustment (\$)</b> | <b>Restated (\$)</b> |
|--|------------------------------------|------------------------|----------------------|
| Net loss for the period                  | (247,188)                          | (714,947)              | (962,135)            |
| Net cash used in operating activities    | 118,147                            | (714,947)              | (596,800)            |
| Net cash used in investing activities    | (714,947)                          | 714,947                | -                    |



# CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Three Months Ended March 31, 2018  
(Expressed in Canadian Dollars)  
(Unaudited)

## 5. Equipment

### Cost

|                            | Field<br>equipment | Furniture and<br>office equipment | Total      |
|----------------------------|--------------------|-----------------------------------|------------|
| Balance, December 31, 2016 | \$ 83,278          | \$ 123,676                        | \$ 206,954 |
| Balance, December 31, 2017 | 83,278             | 123,676                           | 206,954    |
| Balance, March 31, 2018    | \$ 83,278          | \$ 123,676                        | \$ 206,954 |

### Accumulated amortization

|                            | Field<br>equipment | Furniture and<br>office equipment | Total      |
|----------------------------|--------------------|-----------------------------------|------------|
| Balance, December 31, 2016 | \$ 79,286          | \$ 119,095                        | \$ 198,381 |
| Amortization               | 1,196              | 1,376                             | 2,572      |
| Balance, December 31, 2017 | 80,482             | 120,471                           | 200,953    |
| Amortization               | 210                | 240                               | 450        |
| Balance, March 31, 2018    | \$ 80,692          | \$ 120,711                        | \$ 201,403 |

### Net book value

|                      | Field<br>equipment | Furniture and<br>office equipment | Total    |
|----------------------|--------------------|-----------------------------------|----------|
| At December 31, 2017 | \$ 2,796           | \$ 3,205                          | \$ 6,001 |
| At March 31, 2018    | \$ 2,586           | \$ 2,965                          | \$ 5,551 |

## 6. Mineral exploration properties

Exploration and acquisition costs for the three months ended March 31, 2018 and March 31, 2017 are as follows:

|   | Tierra<br>de Oro | Zulema            | Nova<br>Scotia     | Total             |
|---|------------------|-------------------|--------------------|-------------------|
| Property option proceeds                      | \$ -             | \$ -              | \$ (33,763)        | \$ (33,763)       |
| Exploration                                   |                  |                   |                    |                   |
| Claim costs (reversal)                        | -                | 4,987             | -                  | 4,987             |
| Drilling                                      | -                | 639,872           | -                  | 639,872           |
| Field costs                                   | -                | 30,111            | -                  | 30,111            |
| Geological                                    | -                | 73,740            | -                  | 73,740            |
| <b>Exploration and acquisition costs 2017</b> | <b>\$ -</b>      | <b>\$ 748,710</b> | <b>\$ (33,763)</b> | <b>\$ 714,947</b> |
| Exploration                                   |                  |                   |                    |                   |
| Claim costs                                   | \$ 59,276        | \$ 45,622         | \$ 640             | \$ 105,538        |
| Field costs                                   | 1,649            | -                 | -                  | 1,649             |
| Geological                                    | -                | 24,431            | -                  | 24,431            |
| <b>Exploration and acquisition costs 2018</b> | <b>\$ 60,925</b> | <b>\$ 70,053</b>  | <b>\$ 640</b>      | <b>\$ 131,618</b> |

---

## CHILEAN METALS INC.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

---

#### 6. Mineral properties (continued)

##### *Bass River Property, Canada*

In 2016, the Company entered into a non-binding letter of intent to joint venture its Bass River project in Nova Scotia with Tejas Gold Company ("Tejas"), a company whose CEO is a director of the Company. Tejas will have until May 6, 2018 to earn a 35% working interest in the joint venture. To earn the interest Tejas will be required to pay a non refundable deposit of USD \$25,000 (received during the year ended December 31, 2017), issue 100,000 common shares of Tejas stock (received during the year ended December 31, 2016 and valued at \$33,668 based on the price of a recent arm's length financing) and to expend \$400,000 in exploration work including drilling on Bass River. In addition, Tejas shall pay the Company a management fee of \$5,000 per month over the duration of the work program. During the period ended March 31, 2018, the Company agreed to the assignment by Tejas of the agreement to Highlander Resources Corp ("Highlander"). Subsequently, the Company concluded that it will not be able to complete a joint venture with Highlander and has now abandoned these discussions.

See note 16 for additional claims optioned.

#### 7. Debentures and loans

(a) On May 11, 2016, the Company issued \$150,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copacquire 3% NSR, which is not expected to occur prior to March 31, 2019, and October 31, 2018. In connection with the issuance of the debentures, the Company was required to issue 1,500,000 warrants, exercisable at a price of \$0.48 per share until October 31, 2018 (see note 11). On November 1, 2018, if the debentures are not repaid in full, the holders shall have the right to acquire \$150,000/US\$1,000,000 percent of the Copacquire NSR. The debenture is secured by the shares of the Company's subsidiary, IPBX, that contains the Copacquire NSR and a first floating secured position on all the assets of the Company.

The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 30%, being management's best estimate of the rate that a debenture without warrants with similar terms would bear. The Company valued the warrants using the Black-Scholes option pricing model with the following assumptions: a 2.47 year expected average life; 149% expected volatility; risk-free interest rate of 0.53%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life. Based on this calculation, the liability component is \$71,889 (\$70,649 net of transaction costs), the equity component is \$78,101 (recorded in warrants) and the right to acquire the Copacquire NSR is valued at \$nil.

(b) On March 24, 2017, the Company issued \$210,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of its Copacquire 3% NSR, which is not expected to occur prior to March 31, 2019, and October 31, 2018. In connection with the issuance of the debentures, the Company was required to issue 1,500,000 warrants, exercisable at a price of \$0.72 per share until October 31, 2018 (see note 11). On November 1, 2018, if the debentures are not repaid in full, the holders shall have the right to acquire \$210,000/US\$1,000,000 percent of the Copacquire NSR. The debenture is secured by the shares of the Company's subsidiary, IPBX, that contains the Copacquire NSR and a first floating secured position on all the assets of the Company. A fee of \$10,000 was paid to the debenture holder in respect of this transaction.

The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 30%, being management's best estimate of the rate that a debenture without warrants with similar terms would bear. The Company valued the warrants using the Black-Scholes option pricing model with the following assumptions: a 1.61 year expected average life; 171% expected volatility; risk-free interest rate of 0.68%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life. Based on this calculation, the liability component is \$110,050 (\$104,272 net of transaction costs), the equity component is \$99,950 (recorded in warrants) and the right to acquire the Copacquire NSR is valued at \$nil.

All debentures are held with shareholders of the Company.

---

# CHILEAN METALS INC.

## Notes to Condensed Consolidated Interim Financial Statements Three Months Ended March 31, 2018 (Expressed in Canadian Dollars) (Unaudited)

---

### 8. Other liabilities

During the year ended December 31, 2017, the Company transferred \$69,554 of accounts payable (the "Statute-barred Claims") to non-current liabilities on the basis that any claims in respect of the Statute-barred Claims were statute-barred under the Limitations Act (British Columbia). The Statute-barred Claims related to expenses billed by and third party liabilities incurred prior to December 2015. However, for accounting purposes under IFRS, a debt can only be removed from the Company's statement of financial position when it is extinguished meaning only when the contract is discharged or canceled or expires. The effect of the Limitations Act is to prevent a creditor from enforcing an obligation but it does not formally extinguish the debt for accounting purposes. It is the position of management of the Company that the Statute-barred Claims cannot be enforced by the creditors, do not create any obligation for the Company to pay out any cash and do not affect the financial or working capital position of the Company. The Statute-barred Claims are required to be reflected on the Company's statement of financial position as a result of the current interpretation of IFRS, but they are classified as long-term liabilities since the Company has no intention or obligation to pay these Statute-barred Claims and the creditors cannot enforce payment of the Statute-barred Claims. While inclusion of these items is intended solely to comply with the requirements of IFRS, the Company in no way acknowledges any of the Statute-barred Claims.

### 9. Issued capital

On May 18, 2018, the Company completed the share consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for every four pre-consolidation common shares. All applicable references to the number of shares, warrants and options, strike price and per share information has been restated to reflect the effect of the share consolidation, unless otherwise noted.

#### a) Authorized share capital

At March 31, 2018, the authorized share capital consisted of an unlimited number of common shares, non-voting Class A preference shares with a par value of \$1.00 and Class B preference shares with a par value of \$5.00. The common shares do not have a par value.

#### b) Common shares issued

|                                       | Number of<br>common shares | Amount               |
|---------------------------------------|----------------------------|----------------------|
| <b>Balance, December 31, 2016</b>     | <b>18,834,325</b>          | <b>\$ 54,299,990</b> |
| Private placements (i)                | 41,667                     | 25,000               |
| Share issuance costs (i)              | -                          | (875)                |
| Exercise of warrants (note 11)        | 5,469                      | 1,531                |
| Value of warrants exercised (note 11) | -                          | 1,947                |
| <b>Balance, March 31, 2017</b>        | <b>18,881,461</b>          | <b>\$ 54,327,593</b> |
| <b>Balance, December 31, 2017</b>     | <b>21,318,390</b>          | <b>\$ 55,261,850</b> |
| Shares to be issued                   | 100,525                    | 60,315               |
| <b>Balance, March 31, 2018</b>        | <b>21,418,915</b>          | <b>\$ 55,322,165</b> |

(i) On January 19, 2017, the Company completed the final tranche of a non-brokered private placement of 166,667 common shares at \$0.15 per share for aggregate gross proceeds of \$25,000.

---

## CHILEAN METALS INC.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

---

#### 10. Stock options

The Company has implemented a stock option plan ("the Plan") to be administered by the Board of Directors. Pursuant to the Plan the Board of Director's has discretion to grant options for up to a maximum of 10% of the issued and outstanding common shares of the Company at the date the options are granted. The option price under each option shall be not less than the discounted market price on the grant date. The expiry date of an option shall be set by the Board of Directors at the time the option is awarded, and shall not be more than ten years after the grant date. Options granted to directors, employees and consultants, other than consultants engaged in investor relations activities, will vest immediately upon granting, unless otherwise approved by the relevant regulatory authorities. Options granted to employees and consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three-month period.

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

|                                   | Number of<br>stock options | Weighted average<br>exercise price (\$) |
|-----------------------------------|----------------------------|---|
| <b>Balance, December 31, 2016</b> | <b>1,712,500</b>           | <b>0.64</b>                             |
| Granted (i), (ii)                 | 87,500                     | 0.72                                    |
| <b>Balance, March 31, 2017</b>    | <b>1,800,000</b>           | <b>0.64</b>                             |
| <b>Balance, December 31, 2017</b> | <b>1,800,000</b>           | <b>0.64</b>                             |
| Expired                           | (637,500)                  | 0.45                                    |
| <b>Balance, March 31, 2018</b>    | <b>1,162,500</b>           | <b>0.76</b>                             |

(i) On January 20, 2017, the Company granted stock options to a consultant of the Company for the purchase of a total of 50,000 common shares. The options are exercisable for a period of two years at an exercise price of \$0.72 per share and vested immediately. The fair value of these options at the date of grant was estimated at \$28,320 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate – 0.77%; expected volatility – 175% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 2 years.

(ii) On March 20, 2017, the Company granted stock options to a consultant of the Company for the purchase of a total of 37,500 common shares. The options are exercisable for a period of five years at an exercise price of \$0.68 per share and vested immediately. The fair value of these options at the date of grant was estimated at \$24,810 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate – 1.18%; expected volatility – 197% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 5 years.

**CHILEAN METALS INC.**

Notes to Condensed Consolidated Interim Financial Statements  
Three Months Ended March 31, 2018  
(Expressed in Canadian Dollars)  
(Unaudited)

**10. Stock options (continued)**

The following table reflects the actual stock options issued and outstanding as of March 31, 2018:

| <b>Expiry date</b> | <b>Exercise price (\$)</b> | <b>Remaining contractual life (years)</b> | <b>Number of options outstanding</b> | <b>Number of exercisable options</b> |
|--------------------|----------------------------|---|--------------------------------------|--------------------------------------|
| July 4, 2018       | 0.80                       | 0.26                                      | 50,000                               | 50,000                               |
| June 11, 2019      | 1.00                       | 1.20                                      | 410,000                              | 410,000                              |
| January 19, 2019   | 0.72                       | 0.81                                      | 50,000                               | 50,000                               |
| July 4, 2021       | 0.60                       | 3.26                                      | 50,000                               | 50,000                               |
| September 6, 2021  | 0.68                       | 3.44                                      | 90,000                               | 90,000                               |
| November 14, 202   | 0.60                       | 3.63                                      | 475,000                              | 475,000                              |
| March 20, 2022     | 0.68                       | 3.97                                      | 37,500                               | 37,500                               |
|                    |                            | <b>2.48</b>                               | <b>1,162,500</b>                     | <b>1,162,500</b>                     |

**11. Warrants**

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

|  | <b>Number of warrants</b> | <b>Weighted average exercise price (\$)</b> |
|--|---------------------------|---|
| <b>Balance, December 31, 2016</b>                    | <b>520,257</b>            | <b>0.48</b>                                 |
| Granted (note 9 (b)(i))                              | 375,000                   | 0.72  |
| Exercised  | (5,469)                   | 0.28  |
| <b>Balance, March 31, 2017</b>                       | <b>889,788</b>            | <b>0.60</b>                                 |
| <b>Balance, December 31, 2017 and March 31, 2018</b> | <b>2,021,574</b>          | <b>0.70</b>                                 |

The following table reflects the actual warrants issued as of March 31, 2018:

| <b>Number of warrants outstanding</b> | <b>Grant date fair value (\$)</b> | <b>Exercise price (\$)</b> | <b>Expiry date</b> |
|---------------------------------------|-----------------------------------|----------------------------|--------------------|
| 375,000                               | 78,101                            | 0.48                       | October 31, 2018   |
| 375,000                               | 99,950                            | 0.72                       | October 31, 2018   |
| 581,750                               | 101,690                           | 0.80                       | June 1, 2019       |
| 20,000                                | 5,184                             | 0.60 <sup>(1)</sup>        | June 1, 2019       |
| 619,562                               | 123,665                           | 0.72                       | October 23, 2019   |
| 50,262                                | 10,032                            | USD 0.58                   | October 23, 2019   |
| <b>2,021,574</b>                      | <b>418,622</b>                    | <b>0.70</b>                |                    |

(1) Exercisable into units consisting of one common share and one half of one additional common share purchase warrant. Each additional whole warrant will be exercisable at \$0.80 until June 1, 2019.

---

## CHILEAN METALS INC.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

---

#### 12. Net loss per share

The calculation of basic and diluted loss per share for the three months ended March 31, 2018 was based on the loss attributable to common shareholders of \$573,597 (three months ended March 31, 2017 - \$962,135) and the weighted average number of common shares outstanding of 21,418,915 (three months ended March 31, 2017 - 18,870,416). Diluted loss per share did not include the effect of 1,162,500 options outstanding (three months ended March 31, 2017 - 1,800,000 options outstanding) or the effect of 2,021,574 warrants outstanding (three months ended March 31, 2017 - 889,788 warrants outstanding) as they are anti-dilutive.

#### 13. Related party balances and transactions

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

As at March 31, 2018, the directors and/or officers of the Company collectively control 3,239,610 common shares of the Company or approximately 15% of the total common shares outstanding. To the knowledge of directors and officers of the Company, the remainder of the outstanding common shares are held by diverse shareholders. These holdings can change at any time at the discretion of the owner.

(a) The Company entered into the following transactions with related parties:

|                               | Notes | Three months ended<br>March 31, |           |
|-------------------------------|-------|---------------------------------|-----------|
|                               |       | 2018                            | 2017      |
| Administration expense        | (i)   | \$ 66,000                       | \$ 81,000 |
| Accounting expense            | (ii)  | \$ 11,423                       | \$ 16,080 |
| Geological consulting expense | (iii) | \$ 16,000                       | \$ 24,000 |
| Settlement expense            | (iv)  | \$ 120,000                      | \$ -      |

(i) For the three months ended March 31, 2018, the Company incurred consulting fees from companies controlled by an officer and a former officer of \$66,000 (three months ended March 31, 2017 - \$81,000) recorded in administration fees. As at March 31, 2018, \$nil (December 31, 2017 - \$15,401) is included in advances, prepaid expenses and deposits.

(ii) For the three months ended March 31, 2018, the Company incurred accounting expenses from companies related to an officer of \$11,423 (three months ended March 31, 2017 - \$16,080) recorded in professional fees.

(iii) For the three months ended March 31, 2018, the Company incurred geological consulting expenses from a company controlled by a former officer of \$16,000 (three months ended March 31, 2017 - \$24,000) recorded in administration fees.

(iv) During the three months ended March 31, 2018, the Company agreed to issue 499,999 common shares to former officers (valued at \$120,000 and included in shares to be issued). Subsequent to March 31, 2018, the Company received TSX-V approval for the issuance of 380,855 common shares, which were issued. The remaining 119,144 common shares will be issued subject to disinterested shareholder approval to be obtained.

(v) See note 7.

## CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Three Months Ended March 31, 2018  
(Expressed in Canadian Dollars)  
(Unaudited)

### 13. Related party balances and transactions (continued)

(vi) As at March 31, 2018, included in accounts payable and accrued liabilities is \$116,205 (December 31, 2017 - \$18,998) due to directors and key management. These amounts are unsecured, non-interest bearing and due on demand.

|   | As at<br>March 31,<br>2018 | As at<br>December 31,<br>2017 |
|---|----------------------------|-------------------------------|
| Chief Executive Officer and Director          | \$ 42,240                  | \$ 1,560                      |
| Chief Financial Officer                       | 25,538                     | 12,631                        |
| VP Exploration (Former)                       | 25,493                     | 4,807                         |
| Chief Executive Officer (Former) and Director | 22,934                     | -                             |
|   | <b>\$ 116,205</b>          | <b>\$ 18,998</b>              |

(b) Remuneration of directors and key management personnel of the Company was as follows:

|   | Three months ended<br>March 31, |                   |
|---|---------------------------------|-------------------|
|   | 2018                            | 2017              |
| <b>Fees charged:</b>                          |                                 |                   |
| Chief Executive Officer and Director          | \$ 36,000                       | \$ 36,000         |
| Chief Executive Officer (Former) and Director | 110,000                         | 45,000            |
| Chief Financial Officer                       | 11,423                          | 16,080            |
| VP Exploration (Former) and Director          | 56,000                          | 24,000            |
| Total remuneration                            | <b>\$ 213,423</b>               | <b>\$ 121,080</b> |

Payments to directors and key management personnel of the Company include certain transactions with related parties in (a) above, and (b) remuneration to Directors and key management personnel of the Company. See also note 15.

The above noted transactions are in the normal course of business and approved by the Board of Directors.

### 14. Segmented information

The Company operates in one industry segment, namely exploration of mineral resources in two geographic regions, Canada and Chile. Geographical segmentation of the Company's non-current assets is as follows:

| March 31, 2018    | Canada | Chile    | Total    |
|-------------------|--------|----------|----------|
| Equipment         | \$ -   | \$ 5,551 | \$ 5,551 |
| December 31, 2017 | Canada | Chile    | Total    |
| Equipment         | \$ -   | \$ 6,001 | \$ 6,001 |

---

**CHILEAN METALS INC.****Notes to Condensed Consolidated Interim Financial Statements****Three Months Ended March 31, 2018****(Expressed in Canadian Dollars)****(Unaudited)**

---

**14. Segmented information (continued)**

The following tables summarize the net loss by geographic segment:

| <b>Three months ended March 31, 2018</b>              | <b>Canada</b>       | <b>Chile</b>        | <b>Total</b>        |
|---|---------------------|---------------------|---------------------|
| <b>Administrative expenses</b>                        |                     |                     |                     |
| Administration fees                                   | \$ 202,000          | \$ 3,150            | \$ 205,150          |
| Amortization  | -                   | 450                 | 450                 |
| Bank and interest charges                             | 40,246              | 197                 | 40,443              |
| Exploration and acquisition costs                     | 640                 | 130,978             | 131,618             |
| Foreign exchange loss                                 | 150                 | 33,587              | 33,737              |
| Investor relations                                    | 88,675              | -                   | 88,675              |
| Office and miscellaneous                              | 8,362               | 6,201               | 14,563              |
| Professional fees                                     | 34,403              | 3,087               | 37,490              |
| Transfer agent and regulatory                         | 12,029              | -                   | 12,029              |
| Travel, promotion and mining shows                    | 9,442               | -                   | 9,442               |
| <b>Net loss and comprehensive loss for the period</b> | <b>\$ (395,947)</b> | <b>\$ (177,650)</b> | <b>\$ (573,597)</b> |

| <b>Three months ended March 31, 2017</b>              | <b>Canada</b>       | <b>Chile</b>        | <b>Total</b>        |
|---|---------------------|---------------------|---------------------|
| <b>Administrative expenses</b>                        |                     |                     |                     |
| Administration fees                                   | \$ 121,056          | \$ 3,383            | \$ 124,439          |
| Amortization  | -                   | 643                 | 643                 |
| Bank and interest charges                             | 29,113              | 1,141               | 30,254              |
| Exploration and acquisition costs                     | (33,763)            | 748,710             | 714,947             |
| Foreign exchange loss (gain)                          | 3,225               | (79,282)            | (76,057)            |
| Investor relations                                    | 25,475              | -                   | 25,475              |
| Office and miscellaneous                              | 13,663              | 15,431              | 29,094              |
| Professional fees                                     | 21,080              | 2,994               | 24,074              |
| Share-based payments                                  | 57,460              | -                   | 57,460              |
| Transfer agent and regulatory                         | 14,253              | -                   | 14,253              |
| Travel, promotion and mining shows                    | 19,929              | -                   | 19,929              |
| <b>Net operating loss before other items</b>          | <b>\$ (271,491)</b> | <b>\$ (693,020)</b> | <b>\$ (964,511)</b> |
| <b>Other items</b>                                    |                     |                     |                     |
| Unrealized gain on warrant liability                  | 2,376               | -                   | 2,376               |
| <b>Net loss and comprehensive loss for the period</b> | <b>\$ (269,115)</b> | <b>\$ (693,020)</b> | <b>\$ (962,135)</b> |



---

## CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Three Months Ended March 31, 2018  
(Expressed in Canadian Dollars)  
(Unaudited)

---

### 15. Commitments and contingencies

#### Environmental and legal

The Company's operations are subject to government environmental protection legislation. Environmental consequences are difficult to identify in terms of results, timetable and impact. At this time, to management's best knowledge, the Company's operations are in compliance with current laws and regulations.

#### Property taxes

As at March 31, 2018, the Company has unpaid property tax for various mineral exploration property claims totaling approximately 358,000,000 Chilean Pesos (\$755,000) (December 31, 2017 - 310,000,000 Chilean Pesos (\$632,000)) which has been included in accounts payable and accrued liabilities as at March 31, 2018. In the event that the claims are put up for tax auction, the Company will have a notice period to make the payment for the portion of this amount required.

### 16. Subsequent events

(i) Subsequent to March 31, 2018, the Company announced it has entered into an option with Elk Exploration Ltd. (the "Optionor") to acquire 3 Licenses containing 720 acres representing the balance of land located within the Bass River concessions.

In consideration for the Option, the Company shall pay the Optionor as follows: (a) a cash payment of \$12,000 to be paid within 10 working days of receiving TSX-V approval of this Agreement; (b) an issuance of common shares, having a value of \$5,000 to the Optionor issuable within 10 working days of receiving TSX-V approval of this Agreement; (c) a cash payment of \$5,000 paid to the Optionor on or before the first anniversary of the Exchange approval and all subsequent years thereafter; and (d) incur, within 3 years from the date of TSX-V approval, at least \$500,000 in exploration expenditures on the property, upon which the Company will have earned its 90% interest in the property, subject only to the 10% Free Carried Interest and the 1% NSR Royalty to be held by Optionor. CMX may purchase the 10% Free Carried Interest for \$500,000 payable in cash or shares and it may acquire the 1% NSR Royalty by paying \$250,000 in cash or shares.

(ii) Subsequent to March 31, 2018, the Company announced a proposed financing consisting of common share units and flow through units. The financing remains subject to TSXV approval.

The common share units will consist of up to 12,500,000 units at \$0.12 per unit for maximum gross proceeds of \$1,500,000. Each common share unit will consist of one common share and one common share purchase warrant. Each warrant will be exercisable at \$0.18 for a period of five years from the date of issuance.

The flow through units will consist of up to 4,000,000 units at \$0.16 per unit for maximum gross proceeds of \$640,000. Each flow through unit will consist of one flow-through common share and one common share purchase warrant. Each warrant will be exercisable at \$0.18 for a period of five years from the date of issuance.

(iii) Subsequent to March 31, 2018, the Company announced it has reached a deal to pay a supplier for previous drilling work completed in Chile on the Company's behalf. The Company will pay the drilling company \$220,000 in cash and issue 750,000 shares to repay a payable of approximately \$370,000. The Company will also pay the drilling company's estimated VAT obligation on certain unbilled work and certain related fees, anticipated to be no more than \$13,000. This arrangement remains subject to TSXV approval.

(iv) Subsequent to March 31, 2018, the Company announced that Mick Sharry has been appointed to the board of directors and as the President and Chief Operating Officer of the Company.