
CHILEAN METALS INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED JUNE 30, 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 June 30, 2018	As at December 31, 2017
ASSETS		
Current assets		
Cash	\$ 266,307	\$ 59,383
Marketable securities	-	33,668
Amounts receivable	40,811	20,519
Advances, prepaid expenses and deposits (note 13)	365,035	221,858
Total current assets	672,153	335,428
Non-current assets		
Prepaid expenses	98,438	57,292
Equipment (note 5)	5,101	6,001
Total assets	\$ 775,692	\$ 398,721
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 13(a)(vi) and 15)	\$ 1,237,198	\$ 1,078,170
Flow-through liability (note 9)	90,079	-
Debentures payable (note 7)	-	303,850
Total current liabilities	1,327,277	1,382,020
Non-current liabilities		
Other liabilities (note 8)	69,554	69,554
Total liabilities	1,396,831	1,451,574
Shareholders' equity (deficiency)		
Issued capital (note 9)	56,059,591	55,261,850
Shares to be issued (note 13(a)(iv))	28,595	60,315
Contributed surplus	4,190,817	4,190,817
Warrants (note 11)	1,239,699	418,622
Deficit	(62,139,841)	(60,984,457)
Total shareholders' equity (deficiency)	(621,139)	(1,052,853)
Total equity (deficiency) and liabilities	\$ 775,692	\$ 398,721

Nature of operations and going concern (note 1)
Subsequent events (notes 6 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 June 30,		Six months ended June 30,	
	2018	2017 (note 4)	2018	2017 (note 4)
Administrative expenses				
Administration fees (note 13)	\$ 63,444	\$ 108,383	\$ 268,594	\$ 232,822
Amortization (note 5)	450	643	900	1,286
Bank and interest charges (note 7)	95,658	36,179	136,101	66,433
Exploration and acquisition costs (note 6)	219,620	77,703	351,238	792,650
Foreign exchange loss (gain)	(22,327)	(7,785)	11,410	(83,842)
Investor relations	72,816	63,476	161,491	88,951
Office and miscellaneous	34,174	67,711	48,737	96,805
Professional fees (note 13)	119,034	19,783	156,524	43,857
Share-based payments (note 10)	-	1,914	-	59,374
Transfer agent and regulatory	21,839	6,445	33,868	20,698
Travel, promotion and mining shows	-	12,113	9,442	32,042
Net operating loss before other items	(604,708)	(386,565)	(1,178,305)	(1,351,076)
Other items				
Gain on debt settlement (note 9)	30,468	-	30,468	-
Impairment of marketable securities	(33,668)	-	(33,668)	-
Unrealized gain on warrant liability (note 11)	-	1,495	-	3,871
Reversal of flow-through liability	26,121	-	26,121	-
Net loss and comprehensive loss for the period	\$ (581,787)	\$ (385,070)	\$ (1,155,384)	\$ (1,347,205)
Basic and diluted net loss per share (note 12)	\$ (0.02)	\$ (0.02)	\$ (0.05)	\$ (0.07)
Weighted average number of common shares outstanding - basic and diluted (note 12)	24,779,875	18,898,578	23,083,687	18,870,416

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)

	Six months ended June 30,	
	2018	2017 (note 4)
Operating activities		
Net loss for the period	\$ (1,155,384)	\$ (1,347,205)
Items not affecting cash:		
Amortization	900	1,286
Share-based payments	-	59,374
Shares issued for mineral exploration properties	5,000	-
Accrued interest	56,150	25,857
Gain on debt settlement	(30,468)	-
Shares to be issued on settlements	28,595	-
Unrealized gain on warrant liability	-	(3,871)
Reversal of flow-through liability	(26,121)	-
Impairment of marketable securities	33,668	-
Non-cash working capital items:		
Amounts receivable	(20,292)	222
Advances, prepaid expenses and deposits	(184,323)	(356,957)
Accounts payable and accrued liabilities	250,433	179,500
Net cash used in operating activities	(1,041,842)	(1,441,794)
Financing activities		
Proceeds on private placement	1,636,390	25,000
Share issue costs	(27,624)	(875)
Warrants exercised	-	11,136
Shares to be issued	-	746,100
Repayment of debentures	(360,000)	-
Issuance of debentures	-	210,000
Debenture issue costs	-	(11,025)
Net cash provided by financing activities	1,248,766	980,336
Net change in cash	206,924	(461,458)
Cash, beginning of period	59,383	535,281
Cash, end of period	\$ 266,307	\$ 73,823

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 be issued	Contributed Surplus	Warrants	Deficit (note 4)	Total
	Number	Amount					
Balance, December 31, 2016	18,834,325	\$ 54,299,990	\$ -	\$ 4,131,363	\$ 126,782	\$(58,536,192)	\$ 21,943
Private placements	41,667	25,000	-	-	-	-	25,000
Share issuance cost	-	(875)	-	-	-	-	(875)
Exercise of warrants	39,773	11,136	-	-	-	-	11,136
Value of warrants exercised	-	14,159	-	-	(14,159)	-	-
Shares to be issued	-	-	746,100	-	-	-	746,100
Warrants issued on debentures	-	-	-	-	99,950	-	99,950
Share-based payments	-	-	-	59,374	-	-	59,374
Net comprehensive loss for the period	-	-	-	-	-	(1,347,205)	(1,347,205)
Balance, June 30, 2017	18,915,765	\$ 54,349,410	\$ 746,100	\$ 4,190,737	\$ 212,573	\$(59,883,397)	\$ (384,577)
Balance, December 31, 2017	21,318,390	\$ 55,261,850	\$ 60,315	\$ 4,190,817	\$ 418,622	\$(60,984,457)	\$ (1,052,853)
Private placements	12,668,250	1,636,390	-	-	-	-	1,636,390
Share issuance cost	-	(27,624)	-	-	-	-	(27,624)
Shares to be issued	100,525	60,315	(60,315)	-	-	-	-
Value of warrants	-	(821,077)	-	-	821,077	-	-
Flow-through premium	-	(116,200)	-	-	-	-	(116,200)
Shares issued on settlements	380,855	60,937	-	-	-	-	60,937
Shares to be issued on settlements	-	-	28,595	-	-	-	28,595
Shares issued for mineral exploration properties	33,360	5,000	-	-	-	-	5,000
Net comprehensive loss for the period	-	-	-	-	-	(1,155,384)	(1,155,384)
Balance, June 30, 2018	34,501,380	\$ 56,059,591	\$ 28,595	\$ 4,190,817	\$ 1,239,699	\$(62,139,841)	\$ (621,139)

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 and Six Months Ended June 30, 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 and six months ended June 30, 2018, the Company incurred a net loss of \$581,787 and \$1,155,384, respectively (three and six months ended June 30, 2017 - \$385,070 and \$1,347,205, respectively). As at June 30, 2018, the Company has incurred significant losses since inception totaling \$62,139,841 (December 31, 2017 - \$60,984,457). As at June 30, 2018, the Company has a working capital deficiency of \$655,124 (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 and six months ended June 30, 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 and six months ended June 30, 2018 were approved and authorized for issue by the Company's Board of Directors on August 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 and Six Months Ended June 30, 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 August 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 and Six Months Ended June 30, 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.

Classification	IAS 39	IFRS 9
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 and six months ended June 30, 2017 are as follows:

(i) Statement of Loss and Comprehensive Loss

Six months ended June 30, 2017	As previously reported (\$)	Adjustment (\$)	Restated (\$)
Exploration and evaluation expenditures	-	(792,650)	(792,650)
Net loss and comprehensive loss for the period	(554,555)	(792,650)	(1,347,205)

Three months ended June 30, 2017	As previously reported (\$)	Adjustment (\$)	Restated (\$)
Exploration and evaluation expenditures	-	(77,703)	(77,703)
Net loss and comprehensive loss for the period	(307,367)	(77,703)	(385,070)

(ii) Statement of Cash Flows

Six months ended June 30, 2017	As previously reported (\$)	Adjustment (\$)	Restated (\$)
Net loss for the period	(554,555)	(792,650)	(1,347,205)
Net cash used in operating activities	(649,144)	(792,650)	(1,441,794)
Net cash used in investing activities	(792,650)	792,650	-

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements
Three and Six Months Ended June 30, 2018
(Expressed in Canadian Dollars)
(Unaudited)

5. Equipment

Cost

	Field equipment	Furniture and office equipment	Total
Balance, December 31, 2016	\$ 83,278	\$ 123,676	\$ 206,954
Balance, December 31, 2017	83,278	123,676	206,954
Balance, June 30, 2018	\$ 83,278	\$ 123,676	\$ 206,954

Accumulated amortization

	Field equipment	Furniture and 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	420	480	900
Balance, June 30, 2018	\$ 80,902	\$ 120,951	\$ 201,853

Net book value

	Field equipment	Furniture and office equipment	Total
At December 31, 2017	\$ 2,796	\$ 3,205	\$ 6,001
At June 30, 2018	\$ 2,376	\$ 2,725	\$ 5,101

6. Mineral exploration properties

Exploration and acquisition costs for the six months ended June 30, 2018 and June 30, 2017 are as follows:

	Tierra de Oro	Zulema	Nova Scotia	Total
Property option proceeds	\$ -	\$ -	\$ (33,763)	\$ (33,763)
Exploration				
Claim costs (reversal)	11,895	25,163	-	37,058
Drilling	-	647,930	-	647,930
Field costs	-	37,506	-	37,506
Geological	-	103,919	-	103,919
Exploration and acquisition costs 2017	\$ 11,895	\$ 814,518	\$ (33,763)	\$ 792,650
Acquisition and staking	\$ -	\$ -	\$ 17,640	\$ 17,640
Exploration				
Assay	-	-	5,295	5,295
Claim costs	59,259	45,622	2,144	107,025
Drilling	-	-	73,209	73,209
Field costs	1,642	-	17,791	19,433
Geological	-	48,593	40,543	89,136
Geophysics	-	-	39,500	39,500
Exploration and acquisition costs 2018	\$ 60,901	\$ 94,215	\$ 196,122	\$ 351,238

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

6. Mineral properties (continued)

Bass River Property, Canada

(i) 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 June 30, 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.

(ii) During the three and six months ended June 30, 2018, the Company announced it has entered into an option with Elk Exploration Ltd. (the "Elk") 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 Elk as follows: (a) a cash payment of \$12,000 to be paid within 10 working days of receiving TSX-V approval of this Agreement (paid); (b) an issuance of common shares, having a value of \$5,000 to the Elk issuable within 10 working days of receiving TSX-V approval of this Agreement (issued); (c) a cash payment of \$5,000 paid to Elk 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 Elk. The Company 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.

(iii) During the three and six months ended June 30, 2018, the Company announced it has entered into an option to acquire the Economy East Exploration License which consists of 12 claims.

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 (paid subsequent to June 30, 2018); (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 (issued subsequent to June 30, 2018); (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 the Optionor. The Company 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.

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, 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 were not repaid in full, the holders had the right to acquire \$150,000/US\$1,000,000 percent of the Copacquire NSR. The debenture was 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. During the three and six months ended June 30, 2018, the debenture was repaid.

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

7. Debentures and loans (continued)

(a) (continued) 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 Copaquire 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 Copaquire 3% NSR, 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 were not repaid in full, the holders had the right to acquire \$210,000/US\$1,000,000 percent of the Copaquire NSR. The debenture was secured by the shares of the Company's subsidiary, IPBX, that contains the Copaquire 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. During the three and six months ended June 30, 2018, the debenture was repaid.

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 Copaquire NSR is valued at \$nil.

All debentures were held with shareholders of the Company.

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.

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements Three and Six Months Ended June 30, 2018 (Expressed in Canadian Dollars) (Unaudited)

9. Issued capital (continued)

a) Authorized share capital

At June 30, 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 common shares	Amount
Balance, December 31, 2016	18,834,325	\$ 54,299,990
Private placements (i)	41,667	25,000
Share issuance costs (i)	-	(875)
Exercise of warrants (note 11)	39,773	11,136
Value of warrants exercised (note 11)	-	14,159
Balance, June 30, 2017	18,915,765	\$ 54,349,410
Balance, December 31, 2017	21,318,390	\$ 55,261,850
Private placements (iii)	12,668,250	1,636,390
Value of warrants (iii)	-	(821,077)
Share issuance costs (iii)	-	(27,624)
Flow-through premium (iii)	-	(116,200)
Shares to be issued	100,525	60,315
Shares issued for mineral exploration properties (note 6)	33,360	5,000
Shares issued on settlements (ii)	380,855	60,937
Balance, June 30, 2018	34,501,380	\$ 56,059,591

(i) In January 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.

(ii) In May 2018, the Company issued 380,855 common shares, with a fair value of \$60,937, as settlement for debt of \$91,405 (see note 13 (vi)). As a result, the Company recorded a gain on debt settlement of \$30,468.

(iii) In June 2018, the Company completed a private placement of 9,763,250 common share units at \$0.12 per common share unit and 2,905,000 flow-through units at \$0.16 per flow-through unit for aggregated gross proceeds of \$1,636,390. Each common share unit consisted of one common share and one common share purchase warrant. Each flow-through unit consisted of one flow-through common share and one common share purchase warrant. Each warrant is exercisable at \$0.18 for 5 years from closing.

The flow-through units were issued at a premium to the market price in recognition of the tax benefits accruing to the subscribers. The flow-through liability was calculated to be \$116,200.

In connection with the financing, the Company paid finder's fees of \$15,792 and issued 120,800 finders' warrants. Each finders' warrant is exercisable at \$0.12 into a common share unit for 18 months from closing.

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements
Three and Six Months Ended June 30, 2018
(Expressed in Canadian Dollars)
(Unaudited)

9. Issued capital (continued)

b) Common shares issued (continued)

(iii) (continued) The 12,668,250 warrants and 120,800 finders' warrants were valued at \$805,009 and \$16,068, respectively, using the Black-Scholes option-pricing model. The following weighted average assumptions were used for the 12,668,250 warrants: risk free interest rate – 2.15%; expected volatility – 122% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 5 years. The following weighted average assumptions were used for the 120,800 warrants: risk free interest rate – 1.82%; expected volatility – 194% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 1.5 years.

As of the date of these unaudited condensed consolidated interim financial statements, the TSX-V has not approved this private placement. See note 16.

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 stock options	Weighted average exercise price (\$)
Balance, December 31, 2016	1,712,500	0.64
Granted (i), (ii)	87,500	0.72
Balance, June 30, 2017	1,800,000	0.64
Balance, December 31, 2017	1,800,000	0.64
Expired	(637,500)	0.45
Balance, June 30, 2018	1,162,500	0.76

(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.

CHILEAN METALS INC.**Notes to Condensed Consolidated Interim Financial Statements****Three and Six Months Ended June 30, 2018****(Expressed in Canadian Dollars)****(Unaudited)**

10. Stock options (continued)

(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.

The following table reflects the actual stock options issued and outstanding as of June 30, 2018:

Expiry date	Exercise price (\$)	Remaining contractual life (years)	Number of options outstanding	Number of exercisable options
July 4, 2018 ⁽¹⁾	0.80	0.01	50,000	50,000
January 19, 2019	0.72	0.56	50,000	50,000
June 11, 2019	1.00	0.95	410,000	410,000
July 4, 2021	0.60	3.01	50,000	50,000
September 6, 2021	0.68	3.19	90,000	90,000
November 14, 2021	0.60	3.38	475,000	475,000
March 20, 2022	0.68	3.72	37,500	37,500
		2.24	1,162,500	1,162,500

(1) Expired subsequent to June 30, 2018.

11. Warrants

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

	Number of warrants	Weighted average exercise price (\$)
Balance, December 31, 2016	520,257	0.48
Granted (note 9 (b)(i))	375,000	0.72
Exercised	(39,773)	0.28
Balance, June 30, 2017	855,484	0.60
Balance, December 31, 2017	2,021,574	0.70
Granted (note 9 (b)(iii))	12,789,050	0.18
Balance, June 30, 2018	14,810,624	0.25

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements Three and Six Months Ended June 30, 2018 (Expressed in Canadian Dollars) (Unaudited)

11. Warrants (continued)

The following table reflects the actual warrants issued as of June 30, 2018:

Number of warrants outstanding	Grant date fair value (\$)	Exercise price (\$)	Expiry date
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 ⁽¹⁾	June 1, 2019
619,562	123,665	0.72	October 23, 2019
50,262	10,032	USD 0.58	October 23, 2019
86,400	11,059	0.12 ⁽²⁾	December 6, 2019
34,400	5,009	0.12 ⁽³⁾	December 8, 2019
4,205,834	256,036	0.18	June 6, 2023
8,462,416	548,973	0.18	June 8, 2023
14,810,624	1,239,699	0.25	

(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.

(2) Exercisable into units consisting of one common share and one additional common share purchase warrant. Each additional warrant will be exercisable at \$0.18 until June 6, 2019.

(3) Exercisable into units consisting of one common share and one additional common share purchase warrant. Each additional warrant will be exercisable at \$0.18 until June 8, 2019.

12. Net loss per share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2018 was based on the loss attributable to common shareholders of \$581,787 and \$1,155,384, respectively (three and six months ended June 30, 2017 - \$385,070 and \$1,347,205, respectively) and the weighted average number of common shares outstanding of 24,779,875 and 23,083,687, respectively (three and six months ended June 30, 2017 - 18,898,578 and 18,870,416, respectively). Diluted loss per share did not include the effect of 1,162,500 options outstanding (three and six months ended June 30, 2017 - 1,800,000 options outstanding) or the effect of 14,810,624 warrants outstanding (three and six months ended June 30, 2017 - 855,484 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 June 30, 2018, the directors and/or officers of the Company collectively control 5,619,563 common shares of the Company or approximately 16% of the total common shares outstanding and an insider of the Company controls 3,833,028 common shares of the Company or approximately 11% 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.

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements
Three and Six Months Ended June 30, 2018
(Expressed in Canadian Dollars)
(Unaudited)

13. Related party balances and transactions (continued)

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

	Notes	Three months ended June 30,		Six months ended June 30,	
		2018	2017	2018	2017
Administration expense	(i)	\$ 60,000	\$ 81,000	\$ 126,000	\$ 162,000
Accounting expense	(ii)	\$ 23,497	\$ 11,343	\$ 34,920	\$ 27,423
Geological consulting expense	(iii)	\$ -	\$ 24,000	\$ 16,000	\$ 48,000
Geological consulting expense	(iv)	\$ 26,680	\$ -	\$ 26,680	\$ -
Consulting expense	(v)	\$ 36,000	\$ -	\$ 36,000	\$ -
Settlement expense	(vii)	\$ -	\$ -	\$ 120,000	\$ -

(i) For the three and six months ended June 30, 2018, the Company incurred consulting fees from companies controlled by an officer, by directors and by a former officer of \$60,000 and \$126,000 (three and six months ended June 30, 2017 - \$81,000 and \$162,000) recorded in administration fees. As at June 30, 2018, \$72,000 (December 31, 2017 - \$15,401) is included in advances, prepaid expenses and deposits.

(ii) For the three and six months ended June 30, 2018, the Company incurred accounting expenses from companies related to an officer of \$23,497 and \$34,920 (three and six months ended June 30, 2017 - \$11,343 and \$27,423) recorded in professional fees.

(iii) For the three and six months ended June 30, 2018, the Company incurred geological consulting expenses from a company controlled by a former officer of and \$16,000 (three and six months ended June 30, 2017 - \$24,000 and \$48,000) recorded in administration fees.

(iv) For the three and six months ended June 30, 2018, the Company incurred geological consulting expenses from an officer of \$26,680 (three and six months ended June 30, 2017 - \$nil) recorded in exploration and acquisition costs. As at June 30, 2018, \$33,320 (December 31, 2017 - \$nil) is included in advances, prepaid expenses and deposits.

(v) For the three and six months ended June 30, 2018, the Company incurred consulting expenses from a director of \$36,000 (three and six months ended June 30, 2017 - \$nil) recorded in professional fees.

(vi) During the three and six months ended June 30, 2018, the Company agreed to issue 499,999 common shares to former officers (valued at \$120,000 and included in shares to be issued). During the three and six months ended June 30, 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.

(vii) Directors and officers of the Company purchased 1,527,875 common share units in the June 2018 private placement (see note 9(b)(iii)).

(viii) See note 7.

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements
Three and Six Months Ended June 30, 2018
(Expressed in Canadian Dollars)
(Unaudited)

13. Related party balances and transactions (continued)

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

(ix) As at June 30, 2018, included in accounts payable and accrued liabilities is \$4,205 (December 31, 2017 - \$18,998) due to directors and key management. These amounts are unsecured, non-interest bearing and due on demand.

	As at June 30, 2018	As at December 31, 2017
Chief Executive Officer and Director	\$ -	\$ 1,560
Chief Financial Officer	4,205	12,631
VP Exploration (Former)	-	4,807
	\$ 4,205	\$ 18,998

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Fees charged:				
Directors	\$ 60,000	\$ -	\$ 60,000	\$ -
Chief Executive Officer and Director	36,000	36,000	72,000	72,000
Chief Executive Officer (Former) and Director	-	45,000	110,000	90,000
Chief Financial Officer	23,497	11,343	34,920	27,423
VP Exploration (Former) and Director	-	24,000	56,000	48,000
President and Director	26,680	-	26,680	-
Total remuneration	\$ 146,177	\$ 116,343	\$ 359,600	\$ 237,423

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.

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:

June 30, 2018	Canada	Chile	Total
Equipment	\$ -	\$ 5,101	\$ 5,101
December 31, 2017	Canada	Chile	Total
Equipment	\$ -	\$ 6,001	\$ 6,001

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements
Three and Six Months Ended June 30, 2018
(Expressed in Canadian Dollars)
(Unaudited)

14. Segmented information (continued)

The following tables summarize the net loss by geographic segment:

Three months ended June 30, 2018	Canada	Chile	Total
Administrative expenses			
Administration fees	\$ 60,324	\$ 3,120	\$ 63,444
Amortization	-	450	450
Bank and interest charges	94,966	692	95,658
Exploration and acquisition costs	195,482	24,138	219,620
Foreign exchange loss (gain)	575	(22,902)	(22,327)
Investor relations	72,816	-	72,816
Office and miscellaneous	21,193	12,981	34,174
Professional fees	94,720	24,314	119,034
Transfer agent and regulatory	21,839	-	21,839
Net operating loss before other items	(561,915)	(42,793)	(604,708)
Other items			
Gain on debt settlement	30,468	-	30,468
Impairment of marketable securities	(33,668)	-	(33,668)
Reversal of flow-through liability	26,121	-	26,121
Net loss and comprehensive loss for the period	\$ (538,994)	\$ (42,793)	\$ (581,787)

Three months ended June 30, 2017	Canada	Chile	Total
Administrative expenses			
Administration fees	\$ 104,999	\$ 3,384	\$ 108,383
Amortization	-	643	643
Bank and interest charges	14,578	21,601	36,179
Exploration and acquisition costs	-	77,703	77,703
Foreign exchange gain	(473)	(7,312)	(7,785)
Investor relations	63,476	-	63,476
Office and miscellaneous	18,826	48,885	67,711
Professional fees	16,799	2,984	19,783
Share-based payments	1,914	-	1,914
Transfer agent and regulatory	6,445	-	6,445
Travel, promotion and mining shows	12,113	-	12,113
Net operating loss before other items	\$ (238,677)	\$ (147,888)	\$ (386,565)
Other items			
Unrealized gain on warrant liability	1,495	-	1,495
Net loss and comprehensive loss for the period	\$ (237,182)	\$ (147,888)	\$ (385,070)

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements
Three and Six Months Ended June 30, 2018
(Expressed in Canadian Dollars)
(Unaudited)

14. Segmented information (continued)

The following tables summarize the net loss by geographic segment: (continued)

Six months ended June 30, 2018	Canada	Chile	Total
Administrative expenses			
Administration fees	\$ 262,324	\$ 6,270	\$ 268,594
Amortization	-	900	900
Bank and interest charges	135,212	889	136,101
Exploration and acquisition costs	196,122	155,116	351,238
Foreign exchange loss	725	10,685	11,410
Investor relations	161,491	-	161,491
Office and miscellaneous	29,555	19,182	48,737
Professional fees	129,123	27,401	156,524
Transfer agent and regulatory	33,868	-	33,868
Travel, promotion and mining shows	9,442	-	9,442
Net operating loss before other items	(957,862)	(220,443)	(1,178,305)
Other items			
Gain on debt settlement	30,468	-	30,468
Impairment of marketable securities	(33,668)	-	(33,668)
Reversal of flow-through liability	26,121	-	26,121
Net loss and comprehensive loss for the period	\$ (934,941)	\$ (220,443)	\$ (1,155,384)

Six months ended June 30, 2017	Canada	Chile	Total
Administrative expenses			
Administration fees	\$ 226,055	\$ 6,767	\$ 232,822
Amortization	-	1,286	1,286
Bank and interest charges	43,691	22,742	66,433
Exploration and acquisition costs	(33,763)	826,413	792,650
Foreign exchange loss (gain)	2,752	(86,594)	(83,842)
Investor relations	88,951	-	88,951
Office and miscellaneous	32,489	64,316	96,805
Professional fees	37,879	5,978	43,857
Share-based payments	59,374	-	59,374
Transfer agent and regulatory	20,698	-	20,698
Travel, promotion and mining shows	32,042	-	32,042
Net operating loss before other items	\$ (510,168)	\$ (840,908)	\$ (1,351,076)
Other items			
Unrealized gain on warrant liability	3,871	-	3,871
Net loss and comprehensive loss for the period	\$ (506,297)	\$ (840,908)	\$ (1,347,205)

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements
Three and Six Months Ended June 30, 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 June 30, 2018, the Company has unpaid property tax for various mineral exploration property claims totaling approximately 358,000,000 Chilean Pesos (\$748,000) (December 31, 2017 - 310,000,000 Chilean Pesos (\$632,000)) which has been included in accounts payable and accrued liabilities as at June 30, 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) The Company announced it reached a deal to pay a supplier for previous drilling work completed in Chile on the Company's behalf. The Company agreed to pay the drilling company \$220,000 in cash and issue 750,000 shares to repay a payable of approximately \$370,000. Subsequent to June 30, 2018, the Company received TSX-V approval and the 750,000 shares were issued.

(ii) Subsequent to June 30, 2018, the Company announced it has been awarded a grant of \$52,000 from the Department of Natural Resources of Nova Scotia as part of their Mineral Resource Development Fund (MRDF) grant program. Where the relevant activity has already been completed Chilean will be reimbursed for the shared funding component. The funding will be received in 3 tranches and is subject to the following reporting requirements: 40% distributed immediately (received), 20% distributed upon submission and approval of an interim report, no later than September 12, 2018 and 40% distributed upon submission and approval of a final report, no later than February 13, 2019.

(iii) Subsequent to June 30, 2018, the Company announced it filed notice with the BC Securities Commission to appeal the TSX-V decision not to approve its private placement (see note 9 (iii)).

(iv) Subsequent to June 30, 2018, the Company announced it arranged for a secured debenture with a one year maturity. \$250,000 has been advanced by a shareholder of the Company, who is an insider holding more than 10% of the Company's outstanding shares. The debenture will bear interest at 14% per annum, and be payable up front. A further lending fee of \$15,000 applies. The debenture is open to other investors and can be increased to a maximum of \$500,000. All investors would participate on a pari passu basis.

(v) Subsequent to June 30, 2018, the Company announced the Investment Industry Regulatory Organization of Canada ("IIROC") halted the trading in the shares of the Company on the TSX-V at the request of the TSX-V due to "Pending Review of Compliance with Exchange Requirements".