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**CHILEAN METALS INC.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**THREE AND SIX MONTHS ENDED JUNE 30, 2019**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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**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)

	June 30, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 45,823	\$ 29,960
Amounts receivable	22,208	24,981
Advances, prepaid expenses and deposits	131,572	192,901
<b>Total current assets</b>	<b>199,603</b>	<b>247,842</b>
<b>Non-current assets</b>		
Equipment (note 4)	5,807	4,184
<b>Total assets</b>	<b>\$ 205,410</b>	<b>\$ 252,026</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 12 )	\$ 1,176,363	\$ 1,219,738
Advances from related party	31,525	-
Flow-through liability	56,059	56,059
Debentures payable (note 6)	432,471	386,009
<b>Total current liabilities</b>	<b>1,696,418</b>	<b>1,661,806</b>
<b>Non-current liabilities</b>		
Other liabilities (note 7)	69,554	69,554
<b>Total liabilities</b>	<b>1,765,972</b>	<b>1,731,360</b>
<b>Shareholders' equity (deficiency)</b>		
Issued capital (note 8)	56,307,489	56,307,489
Shares to be issued	410,000	-
Contributed surplus	3,608,887	3,811,387
Warrants (note 10)	864,857	971,731
Deficit	(62,751,795)	(62,569,941)
<b>Total shareholders' deficiency</b>	<b>(1,560,562)</b>	<b>(1,479,334)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>\$ 205,410</b>	<b>\$ 252,026</b>

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

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,	
	2019	2018	2019	2018
<b>Administrative expenses</b>				
Administration fees (note 12)	\$ 55,686	\$ 63,444	\$ 133,761	\$ 268,594
Amortization (note 4)	1,083	450	1,398	900
Interest (note 6)	24,825	95,658	47,987	136,101
Exploration and expenditures (note 5)	91,181	219,620	107,505	351,238
Foreign exchange loss (gain)	(2,766)	(22,327)	(713)	11,410
Investor relations	44,448	72,816	100,217	161,491
Office and miscellaneous	5,876	34,174	9,918	48,737
Professional fees (note 12)	53,217	119,034	83,261	156,524
Transfer agent and regulatory	-	21,839	7,750	33,868
Travel, promotion and mining shows	-	-	144	9,442
Net operating loss before other items	(273,550)	(604,708)	(491,228)	(1,178,305)
<b>Other items</b>				
Gain on debt settlement (note 8)	-	30,468	-	30,468
Impairment of marketable securities	-	(33,668)	-	(33,668)
Reversal of flow-through liability	-	26,121	-	26,121
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (273,550)</b>	<b>\$ (581,787)</b>	<b>\$ (491,228)</b>	<b>\$ (1,155,384)</b>
<b>Basic and diluted net loss per share (note 11)</b>	<b>\$ (0.02)</b>	<b>\$ (0.06)</b>	<b>\$ (0.03)</b>	<b>\$ (0.13)</b>
<b>Weighted average number of common shares outstanding - basic and diluted (note 11)</b>	<b>14,161,976</b>	<b>9,911,950</b>	<b>14,161,976</b>	<b>9,233,475</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)

	Six months ended June 30,	
	2019	2018
<b>Operating activities</b>		
Net loss for the period	\$ (491,228)	\$ (1,155,384)
Items not affecting cash:		
Amortization	1,398	900
Shares issued for mineral exploration properties	-	5,000
Accrued interest	46,462	56,150
Gain on debt settlement	-	(30,468)
Shares to be issued on settlement	-	28,595
Reversal of flow-through liability	-	(26,121)
Impairment of marketable securities	-	33,668
Non-cash working capital items:		
Amounts receivable	2,773	(20,292)
Advances, prepaid expenses and deposits	61,329	(184,323)
Accounts payable and accrued liabilities	(43,375)	250,433
Advances from related parties	31,525	-
<b>Net cash used in operating activities</b>	<b>(391,116)</b>	<b>(1,041,842)</b>
<b>Financing activities</b>		
Proceeds from private placement	-	1,636,390
Shares issuance costs	-	(27,624)
Shares to be issued	410,000	-
Repayments of debentures	-	(360,000)
<b>Net cash provided by financing activities</b>	<b>410,000</b>	<b>1,248,766</b>
Purchase of equipment	(3,021)	-
<b>Net cash used in investing activities</b>	<b>(3,021)</b>	<b>-</b>
<b>Net change in cash</b>	<b>15,863</b>	<b>206,924</b>
<b>Cash, beginning of period</b>	<b>29,960</b>	<b>59,383</b>
<b>Cash, end of period</b>	<b>\$ 45,823</b>	<b>\$ 266,307</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 (Deficiency)

(Expressed in Canadian Dollars)

(Unaudited)

	Common Shares		Shares to be issued	Contributed Surplus	Warrants	Deficit	Total
	Number	Amount					
<b>Balance, December 31, 2017</b>	<b>8,527,356</b>	<b>\$ 55,261,850</b>	<b>\$ 60,315</b>	<b>\$ 4,190,817</b>	<b>\$ 418,622</b>	<b>\$ (60,984,457)</b>	<b>\$ (1,052,853)</b>
Private placements	5,067,300	1,636,390	-	-	-	-	1,636,390
Share issuance cost	-	(27,624)	-	-	-	-	(27,624)
Shares to be issued	40,210	60,315	(60,315)	-	-	-	-
Value of warrants	-	(741,677)	-	-	741,677	-	-
Flow-through premium	-	(116,200)	-	-	-	-	(116,200)
Shares issued on settlements	152,342	60,937	-	-	-	-	60,937
Shares issued for mineral exploration properties	13,344	5,000	-	-	-	-	5,000
Shares to be issued on settlement	-	-	28,595	-	-	-	28,595
Net comprehensive loss for the period	-	-	-	-	-	(1,155,384)	(1,155,384)
<b>Balance, June 30, 2018</b>	<b>13,800,552</b>	<b>\$ 56,138,991</b>	<b>\$ 28,595</b>	<b>\$ 4,190,817</b>	<b>\$ 1,160,299</b>	<b>\$ (62,139,841)</b>	<b>\$ (621,139)</b>
<b>Balance, December 31, 2018</b>	<b>14,161,976</b>	<b>\$ 56,307,489</b>	<b>\$ -</b>	<b>\$ 3,811,387</b>	<b>\$ 971,731</b>	<b>\$ (62,569,941)</b>	<b>\$ (1,479,334)</b>
Shares to be issued	-	-	410,000	-	-	-	410,000
Option expiry	-	-	-	(202,500)	-	202,500	-
Value of warrants expired	-	-	-	-	(106,874)	106,874	-
Net comprehensive loss for the period	-	-	-	-	-	(491,228)	(491,228)
<b>Balance, June 30, 2019</b>	<b>14,161,976</b>	<b>\$ 56,307,489</b>	<b>\$ 410,000</b>	<b>\$ 3,608,887</b>	<b>\$ 864,857</b>	<b>\$ (62,751,795)</b>	<b>\$ (1,560,562)</b>

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

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# CHILEAN METALS INC.

## Notes to Condensed Consolidated Interim Financial Statements Three and Six Months Ended June 30, 2019 (Expressed in Canadian Dollars) (Unaudited)

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### 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"), 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.

In July 2019, the Company completed a share consolidation of all outstanding commons shares on a rollback basis of one post-consolidation common share for every two point five (2.5) pre-consolidation common shares.

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 property interests 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, 2019, the Company incurred a net loss of \$273,550 and \$491,228, respectively (three and six months ended June 30, 2018 - \$581,787 and \$1,155,384, respectively). As at June 30, 2019, the Company has incurred significant losses since inception totaling \$62,751,795 (December 31, 2018 - \$62,569,941). As at June 30, 2019, the Company has a working capital deficiency of \$1,496,815 (December 31, 2018 - \$1,413,964); the continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. 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, 2019, 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, 2018, which have been prepared in accordance with IFRS.

These unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2019 were approved and authorized for issue by the Company's Board of Directors on August 29, 2019.

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.

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# CHILEAN METALS INC.

## Notes to Condensed Consolidated Interim Financial Statements Three and Six Months Ended June 30, 2019 (Expressed in Canadian Dollars) (Unaudited)

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### 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, 2019, 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, 2018, 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, 2019 could result in restatement of these unaudited condensed consolidated interim financial statements.

#### *New standards adopted*

##### (a) Leases and right-of-use assets

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

At January 1, 2019, the Company adopted the following and there was no material impact on the Company's financial statements. The Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonable certain to assess that option;

Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised. Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

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**CHILEAN METALS INC.****Notes to Condensed Consolidated Interim Financial Statements****Three and Six Months Ended June 30, 2019****(Expressed in Canadian Dollars)****(Unaudited)**

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**3. Significant accounting policies (continued)***New standards adopted (continued)*

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

The Company adopted this standard and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

**4. Equipment*****Cost***

	Field equipment	Furniture and office equipment	Total
Balance, December 31, 2017	\$ 83,278	\$ 123,676	\$ 206,954
Balance, December 31, 2018	83,278	123,676	206,954
Additions	-	3,021	3,021
Balance, June 30, 2019	\$ 83,278	\$ 126,697	\$ 209,975

***Accumulated amortization***

	Field equipment	Furniture and office equipment	Total
Balance, December 31, 2017	\$ 80,482	\$ 120,471	\$ 200,953
Amortization	840	977	1,817
Balance, December 31, 2018	81,322	121,448	202,770
Amortization	294	1,104	1,398
Balance, June 30, 2019	\$ 81,616	\$ 122,552	\$ 204,168

***Net book value***

	Field equipment	Furniture and office equipment	Total
At December 31, 2018	\$ 1,956	\$ 2,228	\$ 4,184
At June 30, 2019	\$ 1,662	\$ 4,145	\$ 5,807

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**CHILEAN METALS INC.****Notes to Condensed Consolidated Interim Financial Statements****Three and Six Months Ended June 30, 2019****(Expressed in Canadian Dollars)****(Unaudited)**

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**5. Mineral exploration expenditures**

Exploration and acquisition costs for the six months ended June 30, 2019 and June 30, 2018 are as follows:

	<b>Tierra de Oro</b>	<b>Zulema</b>	<b>Nova Scotia</b>	<b>Total</b>
Acquisition and staking	\$ -	\$ -	\$ 17,640	\$ 17,640
Exploration				
Assays	-	-	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
<b>Exploration and acquisition costs 2018</b>	<b>\$ 60,901</b>	<b>\$ 94,215</b>	<b>\$ 196,122</b>	<b>\$ 351,238</b>
Exploration				
Claim costs	\$ -	\$ -	\$ 48,172	\$ 48,172
Option payments	-	-	5,000	5,000
Field costs and other	-	54,333	-	54,333
<b>Exploration and acquisition costs 2019</b>	<b>\$ -</b>	<b>\$ 54,333</b>	<b>\$ 53,172</b>	<b>\$ 107,505</b>

*Lynn, Parrsboro and Bass River Properties, Canada*

In 2016, the Company completed the acquisition of the Lynn, Parrsboro and Bass River Properties from Cogonov through the issuance of 2,050,000 shares (valued at \$2,767,500, based on the quoted price of the shares on the acquisition date). The deferred transaction advance received during the year ended December 31, 2015 was netted against the acquisition costs. The Lynn, Parrsboro and Bass River Properties are located in central Nova Scotia, Canada.

Under the Nova Scotia Mineral Resources Act there is a royalty, payable to the crown, of 2% of the net revenue or 15% of all net income, whichever is greater, derived from the sale of metals produced from a mining lease.

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## CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Three and Six Months Ended June 30, 2019  
(Expressed in Canadian Dollars)  
(Unaudited)

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### 5. Mineral exploration expenditures (continued)

*Lynn, Parrsboro and Bass River Properties, Canada (continued)*

(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 was a director of the Company. Tejas had until May 6, 2018 to earn a 35% working interest in the joint venture. To earn the interest Tejas would have been required to pay a non refundable deposit of USD \$25,000 (received during the year ended December 31, 2017), issue 25,000 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 in fiscal 2018, the Company concluded that it will not complete a joint venture with Highlander and has now abandoned these discussions. During the year ended December 31, 2018, the Company recorded an impairment on the Tejas stock for the full value of the carrying amount of \$33,668.

(ii) During the six months ended June 30, 2018, the Company entered into an option agreement with Elk Exploration Ltd. ("Elk") to acquire 3 licenses representing land located within the Bass River concessions.

In consideration for the option agreement, the Company shall pay Elk as follows: (a) a cash payment of \$12,000 (paid); (b) an issuance of common shares (13,344 shares of the Company), valued at \$5,000 based on the quoted price of shares on the acquisition date (issued); (c) a cash payment of \$5,000 paid to Elk on or before the first anniversary and all subsequent years thereafter; and (d) incur within 3 years, 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 additional 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 six months ended June 30, 2018, the Company entered into an option agreement to acquire the Economy East Exploration License in Nova Scotia which consists of 12 claims.

In consideration for the option agreement, the Company shall pay the as follows: (a) a cash payment of \$12,000 (paid); (b) an issuance of common shares (13,766 shares of the Company), valued at \$5,000 based on the quoted price of shares on the acquisition date (issued); (c) a cash payment of \$5,000 paid and all subsequent years thereafter; and (d) incur, within 3 years, 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.

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## **CHILEAN METALS INC.**

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

**Three and Six Months Ended June 30, 2019**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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#### **6. Debentures and loans**

(a) On August 24, 2018, the Company issued \$250,000 of secured debentures with a maturity of August 25, 2019 to a shareholder of the Company. The debenture bears interest at 14% per annum payable up front, \$35,000 was paid as of December 31, 2018. In addition, a finance cost of \$15,000 was paid as of June 30, 2019.

The Company valued the debt component of the debentures by calculating the present value of the principal and interest, discounted at a rate of 23%, being management's best estimate of the rate of a debenture with an arm's length creditor with similar terms. Based on this calculation, the liability component is \$243,554 (\$228,554 net of transaction costs).

(b) On December 3, 2018, the Company issued \$206,250 secured debentures with a maturity of December 3, 2019; of which \$181,250 are held by one officer, one shareholder, and one non-shareholder of the Company. The debentures bear interest at 14% per annum payable up front, \$28,875 was paid as of December 31, 2018. In addition, a finance cost of \$30,076 was paid as of June 30, 2019.

The Company valued the debt component of the debentures by calculating the present value of the principal and interest, discounted at a rate of 30%, being management's best estimate of the rate of a debenture with an arm's length creditor with similar terms. Based on this calculation, the liability component is \$191,946 (\$186,999 net of transaction costs).

All debentures were held with shareholders of the Company.

The debentures are secured against all assets of the Company.

#### **7. 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.

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## CHILEAN METALS INC.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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#### 8. 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.

On July 5, 2019, the Company completed an additional share consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for every two point five (2.5) 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 June 30, 2019, the authorized share capital consisted of an unlimited number of common shares, non-voting Class A preference shares with a par value of \$4.00 and Class B preference shares with a par value of \$20.00. The common shares do not have a par value.

##### b) Common shares issued

	Number of common shares	Amount
<b>Balance, December 31, 2017</b>	<b>8,527,356</b>	<b>\$ 55,261,850</b>
Private placements (ii)	5,067,300	1,636,390
Share issuance costs (ii)	-	(27,624)
Warrant value (ii)	-	(741,677)
Shares issued for mineral exploration properties (note 5)	13,344	5,000
Shares to be issued	40,210	60,315
Shares issued on settlements	152,342	60,937
Flow-through premium	-	(116,200)
<b>Balance, June 30, 2018</b>	<b>13,800,552</b>	<b>\$ 56,138,991</b>
<b>Balance, December 31, 2018 and June 30, 2019</b>	<b>14,161,976</b>	<b>\$ 56,307,489</b>

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## **CHILEAN METALS INC.**

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

**Three and Six Months Ended June 30, 2019**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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#### **8. Issued capital (continued)**

##### **b) Common shares issued (continued)**

(i) In May 2018, the Company issued 152,342 common shares, as settlement for debt of \$60,937 owing to former directors and officers of the Company.

(ii) In June 2018, the Company completed a private placement of 3,905,300 common share units at \$0.30 per common share unit and 1,162,000 flow-through units at \$0.40 per flow-through unit for aggregate 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. The 5,067,300 warrants were valued at \$741,677 using the Black-Scholes option-pricing model. The following assumptions were used: risk free interest rate – 2.22%; expected volatility – 194% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 5 years. Each warrant is exercisable into one common share at \$0.45 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, as at June 30, 2019 \$56,059 of the liability remains unspent.

In connection with the financing, the Company paid finder's fees of \$24,664 and issued 48,320 finders' warrants valued at \$2,960, using the Black-Scholes option-pricing model. The following assumptions were used: risk free interest rate – 1.9%; expected volatility – 122% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 18 months. Each finders' warrant is exercisable at \$0.30 into a common share unit for 18 months from closing.

(iii) On June 5, 2018 the Company issued 13,344 shares to acquire mineral properties valued at \$5,000.

#### **9. 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 Directors 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.

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**CHILEAN METALS INC.****Notes to Condensed Consolidated Interim Financial Statements****Three and Six Months Ended June 30, 2019****(Expressed in Canadian Dollars)****(Unaudited)**

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**9. Stock options (continued)**

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

	<b>Number of stock options</b>	<b>Weighted average exercise price (\$)</b>
<b>Balance, December 31, 2017</b>	<b>720,000</b>	<b>1.60</b>
Expired	(255,000)	1.125
<b>Balance, June 30, 2018</b>	<b>465,000</b>	<b>1.90</b>
<b>Balance, December 31, 2018</b>	<b>445,000</b>	<b>1.90</b>
Expired	(184,000)	1.80
<b>Balance, June 30, 2019</b>	<b>261,000</b>	<b>1.54</b>

The following table reflects the actual stock options issued and outstanding as of June 30, 2019:

<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, 2021	1.50	2.01	20,000	20,000
September 6, 2021	1.70	2.19	36,000	36,000
November 14, 2021	1.50	2.38	190,000	190,000
March 20, 2022	1.70	2.72	15,000	15,000
	<b>1.54</b>	<b>2.34</b>	<b>261,000</b>	<b>261,000</b>

# CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Three and Six Months Ended June 30, 2019  
(Expressed in Canadian Dollars)  
(Unaudited)

## 10. Warrants

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

	Number of warrants	Weighted average exercise price (\$)
<b>Balance, December 31, 2017</b>	<b>808,630</b>	<b>1.75</b>
Granted (note 8)	5,115,620	0.45
<b>Balance, June 30, 2018</b>	<b>5,924,251</b>	<b>0.63</b>
<b>Balance, December 31, 2018 and June 30, 2019</b>	<b>5,616,250</b>	<b>0.58</b>
Expired	(232,700)	2.00
<b>Balance, June 30, 2019</b>	<b>5,383,550</b>	<b>0.48</b>

The following table reflects the actual warrants issued as of June 30, 2019:

Number of warrants outstanding	Grant date fair value (\$)	Exercise price (\$)	Expiry date	Remaining contract life (years)
247,825	123,665	1.80	October 23, 2019	0.32
20,105	10,032	USD 1.45 (\$1.85)	October 23, 2019	0.32
34,560	2,117	0.30 <sup>(1)</sup>	December 8, 2019	0.44
13,760	843	0.30 <sup>(1)</sup>	December 8, 2019	0.44
1,682,334	241,761	0.45	June 8, 2023	3.94
3,384,966	486,439	0.45	June 8, 2023	3.94
<b>5,383,550</b>	<b>864,857</b>	<b>0.86</b>		<b>3.73</b>

(1) Exercisable into one common share and one additional common share purchase warrant. Each additional warrant will be exercisable at \$0.45 until June 8, 2023.

## 11. Net loss per share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2019 was based on the loss attributable to common shareholders of \$273,550 and \$491,228, respectively (three and six months ended June 30, 2018 - \$581,787 and \$1,155,384, respectively) and the weighted average number of common shares outstanding of 14,161,976 and 14,161,976, respectively (three and six months ended June 30, 2018 - 9,911,950 and 9,233,475, respectively). Diluted loss per share did not include the effect of 261,000 options outstanding (three and six months ended June 30, 2018 - 465,000 options outstanding) or the effect of 5,383,550 warrants outstanding (three and six months ended June 30, 2018 - 5,924,251 warrants outstanding) as they are anti-dilutive.

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## CHILEAN METALS INC.

### Notes to Condensed Consolidated Interim Financial Statements Three and Six Months Ended June 30, 2019 (Expressed in Canadian Dollars) (Unaudited)

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#### 12. 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, 2019, the directors and/or officers of the Company collectively control 1,281,146 (2018 - 1,295,844) common shares of the Company or approximately 9% (December 31, 2018 - 15%) of the total common shares outstanding and an insider of the Company controls 1,533,211 (December 31, 2018 - nil) common shares of the Company or approximately 11% (December 31, 2018 - nil) 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 June 30,		Six months ended June 30,	
		2019	2018	2019	2018
Administration expense	(i)	\$ 75,000	\$ 60,000	\$ 150,000	\$ 126,000
Accounting expense	(ii)	\$ 14,878	\$ 23,497	\$ 26,377	\$ 34,920
Geological consulting expense	(iii)	\$ -	\$ 26,680	\$ -	\$ 42,680
Consulting expense	(iv)	\$ -	\$ 36,000	\$ -	\$ 36,000
Debt settlement expense	(v)	\$ -	\$ -	\$ -	\$ 120,000

(i) For the three and six months ended June 30, 2019, the Company incurred consulting fees from companies controlled by an officer, by a director and by a former officer of \$150,000 (three and six months ended June 30, 2018 - \$60,000 and \$126,000) recorded in administration fees. As at June 30, 2019, \$nil (December 31, 2018 - \$15,401) is included in advances, prepaid expenses and deposits.

(ii) For the three and six months ended June 30, 2019, the Company incurred accounting expenses from companies related to a former officer of \$14,878 and \$26,377 (three and six months ended June 30, 2018 - \$23,497 and \$34,920) recorded in professional fees.

(iii) For the three and six months ended June 30, 2019, the Company incurred geological consulting expenses from a company controlled by an officer and a former officer of \$nil and \$nil (three and six months ended June 30, 2018 - \$26,680 and \$42,680) recorded in exploration expenditures and consulting fees.

(iv) For the three and six months ended June 30, 2019, the Company incurred consulting expenses from a company controlled by an officer and a former officer of \$nil and \$nil (three and six months ended June 30, 2018 - \$36,000 and \$36,000) recorded in consulting fees.

(v) During the period ended June 30, 2018, the Company settled a debt in the amount of \$120,000 with one director and one officer of the Company for shares in the Company.

(vi) As at June 30, 2019, included in accounts payable and accrued liabilities is \$32,103 (December 31, 2018 - \$20,286) due to directors and key management. These amounts are unsecured, non-interest bearing and due on demand.

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**CHILEAN METALS INC.**

**Notes to Condensed Consolidated Interim Financial Statements**  
**Three and Six Months Ended June 30, 2019**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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**12. Related party balances and transactions (continued)**

	<b>As at June 30, 2019</b>	<b>As at December 31, 2018</b>
President and Director	\$ -	\$ 1,736
Chief Financial Officer	<b>32,103</b>	13,550
Director and Chief Executive Officer	-	5,000
	<b>\$ 32,103</b>	<b>\$ 20,286</b>

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

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Fees charged:</b>				
Directors	\$ 25,000	\$ -	\$ 50,000	\$ -
Chief Executive Officer and Director	50,000	36,000	100,000	72,000
Chief Executive Officer (Former) and Director (Former)	-	60,000	-	170,000
Chief Financial Officer	14,878	23,497	26,377	34,920
VP Exploration (Former) and Director (Former)	-	-	-	56,000
President and Director	-	26,680	-	26,680
Total remuneration	<b>\$ 89,878</b>	<b>\$ 146,177</b>	<b>\$ 176,377</b>	<b>\$ 359,600</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.

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

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**CHILEAN METALS INC.****Notes to Condensed Consolidated Interim Financial Statements****Three and Six Months Ended June 30, 2019****(Expressed in Canadian Dollars)****(Unaudited)**

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**13. 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:

<b>June 30, 2019</b>	<b>Canada</b>	<b>Chile</b>	<b>Total</b>
Equipment	\$ -	\$ 5,807	\$ 5,807
<b>December 31, 2018</b>	<b>Canada</b>	<b>Chile</b>	<b>Total</b>
Equipment	\$ -	\$ 4,184	\$ 4,184

The following tables summarizes the net loss by geographic segment:

<b>Three months ended June 30, 2019</b>	<b>Canada</b>	<b>Chile</b>	<b>Total</b>
<b>Administrative expenses</b>			
Administration fees	\$ 50,447	\$ 5,239	\$ 55,686
Amortization	-	1,083	1,083
Bank and interest charges	24,212	613	24,825
Exploration and acquisition costs	53,172	38,009	91,181
Foreign exchange loss (gain)	(2,766)	-	(2,766)
Investor relations	44,448	-	44,448
Office and miscellaneous	1,521	4,355	5,876
Professional fees	40,741	12,476	53,217
Net operating loss before other items	(211,775)	(61,775)	(273,550)
<b>Other items</b>			
<b>Net loss and comprehensive loss for the period</b>	\$ (211,775)	\$ (61,775)	\$ (273,550)

# CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Three and Six Months Ended June 30, 2019  
(Expressed in Canadian Dollars)  
(Unaudited)

## 13. Segmented information (continued)

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

Three months ended June 30, 2018	Canada	Chile	Total
<b>Administrative expenses</b>			
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)
<b>Other items</b>			
Gain on debt settlement	30,468	-	30,468
Impairment of marketable securities	(33,668)	-	(33,668)
Impairment loss on mineral exploration properties	26,121	-	26,121
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (538,994)</b>	<b>\$ (42,793)</b>	<b>\$ (581,787)</b>

Six months ended June 30, 2019	Canada	Chile	Total
<b>Administrative expenses</b>			
Administration fees	\$ 125,447	\$ 8,314	\$ 133,761
Amortization	-	1,398	1,398
Bank and interest charges	47,106	881	47,987
Exploration and acquisition costs	53,172	54,333	107,505
Foreign exchange loss (gain)	(713)	-	(713)
Investor relations	100,217	-	100,217
Office and miscellaneous	4,581	5,337	9,918
Professional fees	70,785	12,476	83,261
Transfer agent and regulatory	7,750	-	7,750
Travel, promotion and mining shows	144	-	144
Net operating loss before other items	(408,489)	(82,739)	(491,228)
<b>Other items</b>			
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (408,489)</b>	<b>\$ (82,739)</b>	<b>\$ (491,228)</b>

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**CHILEAN METALS INC.****Notes to Condensed Consolidated Interim Financial Statements****Three and Six Months Ended June 30, 2019****(Expressed in Canadian Dollars)****(Unaudited)**

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**13. Segmented information (continued)**

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

<b>Six months ended June 30, 2018</b>	<b>Canada</b>	<b>Chile</b>	<b>Total</b>
<b>Administrative expenses</b>			
Administration fees	\$ 265,444	\$ 3,150	\$ 268,594
Amortization	450	450	900
Bank and interest charges	135,904	197	136,101
Exploration and acquisition costs	220,260	130,978	351,238
Foreign exchange loss (gain)	(22,177)	33,587	11,410
Investor relations	161,491	-	161,491
Office and miscellaneous	42,536	6,201	48,737
Professional fees	153,437	3,087	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	\$ (1,000,655)	\$ (177,650)	\$ (1,178,305)
<b>Other items</b>			
Loss on debt settlement	30,468	-	30,468
Realized loss on disposal of marketable securities	(33,668)	-	(33,668)
Impairment loss on mineral exploration properties	26,121	-	26,121
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (977,734)</b>	<b>\$ (177,650)</b>	<b>\$ (1,155,384)</b>