CHILEAN METALS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

(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 September 30, 2015	As at December 31, 2014
ASSETS		
Current assets		
Cash	**$ 4,945**	$ 70,255
Amounts receivable	**10,528**	28,980
Advances, prepaid expenses and deposits	**9,858**	21,352
Total current assets	**25,331**	120,587
Non-current assets		
Equipment (note 4)	**13,562**	17,499
Mineral exploration properties (note 5)	**4,807,313**	4,566,374
Total assets	**$ 4,846,206**	$ 4,704,460
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 12(v))	**$ 569,809**	$ 383,621
Loan payable (notes 7(a))	**94,000**	94,000
Advances from Cogonov Inc. (note 15)	**25,000**	-
Total current liabilities	**688,809**	477,621
Non-current liabilities		
Debenture payable (note 7)	**247,346**	-
Total liabilities	**936,155**	477,621
Shareholders' equity		
Issued capital (note 8)	**48,385,997**	48,358,997
Contributed surplus	**3,392,781**	3,392,781
Equity portion of debenture	**72,898**	-
Deficit	**(47,941,625)**	(47,524,939)
Total shareholders' equity	**3,910,051**	4,226,839
Total equity and liabilities	**$ 4,846,206**	$ 4,704,460

Nature of operations and going concern (note 1)
Commitments and contingencies (note 14)

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 September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Administrative expenses				
Administration fees (note 12)	**$ 42,617**	$ 48,660	**$ 141,180**	$ 332,765
Amortization	**1,313**	2,786	**3,937**	6,939
Bank and interest charges (note 7)	**23,528**	2,481	**47,828**	53,192
Foreign exchange gain	**(18,458)**	(92,141)	**(1,265)**	(50,136)
Generative exploration recovery	**-**	(1,030)	**-**	(15,702)
Investor relations	**1,474**	2,320	**10,224**	13,698
Office and miscellaneous	**40,604**	30,525	**120,521**	121,367
Professional fees (note 12)	**20,855**	80,043	**59,280**	196,259
Share-based payments (note 12)	**-**	-	**-**	202,000
Transfer agent and regulatory	**5,360**	16,079	**25,949**	49,426
Travel, promotion and mining shows	**415**	3,095	**9,032**	29,968
Net operating loss before other items	**(117,708)**	(92,818)	**(416,686)**	(939,776)
Other items				
Realized gain on disposal of camp (note 6)	**-**	-	**-**	318,901
Impairment loss on mineral exploration properties (note 5)	**-**	(1,055,743)	**-**	(1,055,743)
Net loss and comprehensive loss for the period	**$ (117,708)**	**$ (1,148,561)**	**$ (416,686)**	**$ (1,676,618)**
Basic and diluted net loss per share (note 11)	**$ (0.00)**	**$ (0.05)**	**$ (0.02)**	**$ (0.09)**
Weighted average number of common shares outstanding - basic and diluted (note 11)	**25,193,375**	24,593,375	**25,004,364**	19,542,298

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)

	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Operating activities		
Net loss for the period	**$ (416,686)**	$ (1,676,618)
Items not affecting cash:		
Amortization	**3,937**	6,939
Share-based payments	**-**	202,000
Impairment loss on mineral property	**-**	1,055,743
Accrued interest	**18,571**	-
Realized gain on disposal of camp	**-**	(318,901)
Non-cash working capital items:		
Amounts receivable	**18,452**	(27,344)
Advances, prepaid expenses and deposits	**11,494**	(44,526)
Accounts payable and accrued liabilities	**186,188**	(524,136)
Net cash used in operating activities	**(178,044)**	(1,326,843)
Financing activities		
Share capital issued	**-**	851,200
Share issuance costs	**-**	(9,752)
Advance from Cogonov	**25,000**	-
Loan repayments	**-**	(249,310)
Issuance (repayment) of debentures, net of issue costs	**301,673**	(1,943,365)
Net cash provided by (used in) financing activities	**326,673**	(1,351,227)
Investing activities		
Acquisition of and expenditures on mineral exploration properties	**(213,939)**	(739)
Deferred acquisition deposit	**-**	(201,736)
Proceeds on sale of property	**-**	3,061,739
Net cash provided by (used in) investing activities	**(213,939)**	2,859,264
Net change in cash	**(65,310)**	181,194
Cash, beginning of period	**70,255**	62,902
Cash, end of period	**$ 4,945**	$ 244,096
Supplemental disclosures		
Interest paid	**$ -**	$ 45,635

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					
	Number	Amount	Contributed Surplus	Warrants	Deficit	Total
Balance, December 31, 2013	**16,081,375**	**$ 47,517,549**	**$ 3,190,781**	**$ -**	**$ (45,882,222)**	**$ 4,826,108**
Private placements	8,512,000	851,200	-	-	-	851,200
Share issuance cost	-	(9,752)	-	-	-	(9,752)
Share-based payments	-	-	202,000	-	-	202,000
Net comprehensive loss for the period	-	-	-	-	(1,676,618)	(1,676,618)
Balance, September 30, 2014	**24,593,375**	**$ 48,358,997**	**$ 3,392,781**	**$ -**	**$ (47,558,840)**	**$ 4,192,938**
Balance, December 31, 2014	**24,593,375**	**$ 48,358,997**	**$ 3,392,781**	**$ -**	**$ (47,524,939)**	**$ 4,226,839**
Shares issued for mineral exploration properties	600,000	27,000	-	-	-	27,000
Warrants issued on debentures	-	-	-	72,898	-	72,898
Net comprehensive loss for the period	-	-	-	-	(416,686)	(416,686)
Balance, September 30, 2015	**25,193,375**	**$ 48,385,997**	**$ 3,392,781**	**$ 72,898**	**$ (47,941,625)**	**$ 3,910,051**

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

1. Nature of operations and going concern

Chilean Metals Inc. (formerly International PBX Ventures Ltd; the "Company") is a mining exploration company and is in the business of acquiring and exploring mineral properties in Chile. 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"), OTCQX International and Santiago Stock Exchange, Venture Market. The head office and principal address of the Company are located at Suite 205 - 490 Adelaide Street West, Toronto, Ontario, Canada, M5V 1T2. The Company's registered and records office address is at Suite 700 – 595 Burrard Street, PO Box 49290, Vancouver, British Columbia, Canada, V7X 1S8.

The recoverability of carrying amounts for mineral exploration properties and options is dependent upon confirmation of the Company's interest in the underlying mineral claims, the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and achieve profitable production or alternatively, profitably dispose of the properties. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral exploration properties could be written-off.

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 nine months ended September 30, 2015, the Company incurred a net loss of $117,708 and $416,686, respectively (three and nine months ended September 30, 2014 - $1,148,561 and $1,676,618, respectively). As at September 30, 2015, the Company has incurred significant losses since inception totaling $47,941,625 (December 31, 2014 - $47,524,939). As at September 30, 2015, the Company has a working capital deficiency of $663,478 (December 31, 2014 - $357,034); 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 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 nine months ended September 30, 2015 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, 2014, which have been prepared in accordance with IFRS.

These unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2015 were approved and authorized for issue by the Company's Board of Directors on November 26, 2015.

2. Basis of presentation (continued)

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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. Significant accounting policies

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRSs issued and outstanding as of November 26, 2015, 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, 2014, 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, 2015 could result in restatement of these unaudited condensed consolidated interim financial statements.

Change in accounting policies

The Company adopted the following accounting pronouncements during the period.

(i) IAS 24 – Related Party Disclosures ("IAS 24") was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. At January 1, 2015, the Company adopted these amendments and there was no material impact on the Company's 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, 2016 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 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. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is currently assessing the impact of this pronouncement.

(ii) IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

(Expressed in Canadian Dollars)

4. Equipment

Cost

	Field Equipment	Furniture and Office Equipment	Total
Balance, December 31, 2013	**$ 83,278**	**$ 123,676**	**$ 206,954**
Balance, December 31, 2014	**83,278**	**123,676**	**206,954**
Balance, September 30, 2015	**$ 83,278**	**$ 123,676**	**$ 206,954**

Accumulated amortization

	Field Equipment	Furniture and Office Equipment	Total
Balance, December 31, 2013	**$ 71,006**	**$ 109,597**	**$ 180,603**
Amortization	4,123	4,729	8,852
Balance, December 31, 2014	**75,129**	**114,326**	**189,455**
Amortization	1,833	2,104	3,937
Balance, September 30, 2015	**$ 76,962**	**$ 116,430**	**$ 193,392**

Net book value

	Field Equipment	Furniture and Office Equipment	Total
At December 31, 2014	**$ 8,149**	**$ 9,350**	**$ 17,499**
At September 30, 2015	**$ 6,316**	**$ 7,246**	**$ 13,562**

5. Mineral exploration properties

	Sierra Pintada (b)	Tierra de Oro (c)	Other (d - g)	Total
Balance, December 31, 2013	**$ 1,055,743**	**$ 4,460,483**	**$ 48,587**	**$ 5,564,813**
Acquisition and staking	-	-	56,569	56,569
Exploration				
Claim costs	-	-	735	735
Exploration and acquisition costs 2014	-	-	57,304	57,304
Impairment loss	(1,055,743)	-	-	(1,055,743)
Balance, December 31, 2014	**-**	**4,460,483**	**105,891**	**4,566,374**
Acquisition and staking	-	-	91,381	91,381
Exploration				
Project management	-	-	14,537	14,537
Claim costs	-	96,547	38,474	135,021
Exploration and acquisition costs 2015	-	96,547	144,392	240,939
Balance, September 30, 2015	**$ -**	**$ 4,557,030**	**$ 250,283**	**$ 4,807,313**

5. Mineral properties (continued)

(a) Copaquire Property, Chile

On October 11, 2013 the Company, through its wholly owned Chilean subsidiary, Minera IPBX Ltda. (“IPBX”), entered into an agreement to sell 100% of its interest in the Copaquire Property as well as the camp located on the property, to Teck Resources Chile Ltda. (“Teck”), a subsidiary of Teck Resources Limited for cash consideration of $2,706,862 (US$2,545,000) and $519,628 (US$488,556) respectively, plus a 3% net smelter royalty ("NSR") payable to IPBX (the “Sale Agreement”). Under terms of the Sale Agreement, Teck will have the option to buy back 1% of the NSR for US$3 million at any time, and will assume all associated rights, permits and obligations (including future option payments). The sale closed on March 24, 2014.

(b) Sierra Pintada, Chile

The Company previously owned a 100% interest in exploitation and exploration concessions covering 4,920 hectares in Region III, Chile.

During the year ended December 31, 2014, the Company dropped all exploitation and exploration concessions and recorded a write-off of $1,055,743 during the year ended December 31, 2014.

(c) Tierra de Oro, Chile

The Company owns a 100% interest in 28 exploration concessions in Region III, Chile. Currently, the Company is not conducting active exploration on the property.

(d) Hornitos Property, Chile

The Company owns eleven mining concessions in Region III, Chile. Currently, the Company is not conducting active exploration on the property.

(e) Palo Negro Property, Chile

The Company owns 24 mining concessions in Region III. Chile. Currently, the Company is not conducting active exploration on the property.

(f) Zulema aka. Chicharra Property, Chile

The Company owns 100% of the rights to seventeen exploitation concessions (including those described below) and sixteen exploration concessions in Region III, Chile.

In October 2014, the Company completed the acquisition of nine mining concessions from Compañia Minera Casale, a company jointly owned by Chilean subsidiaries of Barrick Gold Corp. and Kinross Gold Corporation, respectively, for the sum of US$50,000.

In March 2015, the Company completed the acquisition of three mining concessions from private Chilean owners. Under the terms of the agreement, the Company paid the vendors US$50,000 in cash and issued 600,000 shares (valued at $27,000).

(g) Tabaco, Chile

The Company owns five mining concessions near Vallenar, Chile. Currently, the Company is not conducting active exploration on the property.

6. Assets held for sale

During the nine months ended September 30, 2014, the Company disposed of the Copaquire Property and Camp which it committed to disposing of during the year ended December 31, 2013. As at December 31, 2013, the Copaquire Property and Camp met the criteria to be classified as assets held for sale and as such were each measured at the lower of their carrying amount and their fair value less costs to sell resulting in an impairment of $17,025,440 during the year ended December 31, 2013.

The Copaquire Property was measured at fair market value less costs to sell at December 31, 2013 as such no additional gain or loss was recognized at March 24, 2014 on final disposition.

The Copaquire Camp was measured at its carrying amount at December 31, 2013. The total proceeds attributed to the Camp from the Sale Agreement was $515,759. Therefore, the Company recognized a gain on the disposition of the Camp of $318,901 including foreign exchange loss.

7. Debentures and loans

(a) The Company had two loans totaling $200,000 from a former director, who resigned in March 2012. Both loans were interest bearing at 1% per month, unsecured, and due on demand. During the year ended December 31, 2014, $140,000 was repaid with a remaining balance of $60,000 principal and $34,000 in accrued interest. On May 31, 2014, the Company entered into a new loan agreement for the remaining aggregate balance of $94,000 to be repaid on May 31, 2015. The loan bears interest at 12% per annum with the interest prepaid. The Company is currently in discussions with the holder regarding the repayment of this loan.

(b) On March 26, 2015, the Company issued $190,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% NSR (see note 5(a)) and October 31, 2016. As part of the issuance, the Company paid an origination fee of $26,600. The debentures could be repaid prior to July 1, 2015 by paying a bonus of 20% of the principal. As the debentures were not repaid as of July 1, 2015, the Company was required to issue 1,900,000 warrants, exercisable at a price of $0.05 per share until October 31, 2016 (see note 10). On November 1, 2016, if the debentures are not repaid in full plus a bonus of 100% of the principal, the holders shall have the right to acquire $190,000/US$1,000,000 percent of the Copaquire NSR. The debenture is secured by the shares of the Company's subsidiary, IPBX, that contains the Copaquire NSR.

The Company used the residual value method to allocate the principal amount of the debenture between the liability component, equity component and the right to acquire the Copaquire NSR. 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 non-secured debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 1.34 years expected average life; 143% expected volatility; risk-free interest rate of 0.61%; 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 $144,832 ($114,094 net of transaction costs), the equity component is $45,168 (reclassified to warrants on warrant issuance) and the residual right to acquire the Copaquire NSR is $nil. Accretion charges attributable to the debenture for the nine months ended September 30, 2015 were $29,322. This amount is added to the liability component and is included in bank and interest charges.

7. Debentures and loans (continued)

(c) On April 22, 2015, the Company issued $40,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% NSR (see note 5(a)) and October 31, 2016. The debentures could be repaid prior to July 1, 2015 by paying a bonus of 20% of the principal. As the debentures were not repaid as of July 1, 2015, the Company was required to issue 400,000 warrants, exercisable at a price of $0.05 per share until October 31, 2016 (see note 10). On November 1, 2016, if the debentures are not repaid in full plus a bonus of 100% of the principal, the holders shall have the right to acquire $40,000/US$1,000,000 percent of the Copaquire NSR. The debenture is secured by the shares of the Company's subsidiary, IPBX, that contains the Copaquire NSR.

The Company used the residual value method to allocate the principal amount of the debenture between the liability component, equity component and the right to acquire the Copaquire NSR. 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 non-secured debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 1.34 years expected average life; 185% expected volatility; risk-free interest rate of 0.69%; 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 $29,660 ($29,410 net of transaction costs), the equity component is $10,340 (reclassified to warrants on warrant issuance) and the residual right to acquire the Copaquire NSR is $nil. Accretion charges attributable to the debenture for the nine months ended September 30, 2015 were $4,586. This amount is added to the liability component and is included in bank and interest charges.

(d) On May 5, 2015, the Company issued $60,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% NSR (see note 5(a)) and October 31, 2016. As part of the issuance, the Company paid a brokerage fee of $3,600. The debentures could be repaid prior to July 1, 2015 by paying a bonus of 20% of the principal. As the debentures were not repaid as of July 1, 2015, the Company was required to issue 600,000 warrants, exercisable at a price of $0.05 per share until October 31, 2016 (see note 10). On November 1, 2016, if the debentures are not repaid in full plus a bonus of 100% of the principal, the holders shall have the right to acquire $60,000/US$1,000,000 percent of the Copaquire NSR. The debenture is secured by the shares of the Company's subsidiary, IPBX, that contains the Copaquire NSR.

The Company used the residual value method to allocate the principal amount of the debenture between the liability component, equity component and the right to acquire the Copaquire NSR. 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 non-secured debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 1.34 years expected average life; 176% expected volatility; risk-free interest rate of 0.73%; 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 $44,933 ($40,958 net of transaction costs), the equity component is $15,067 (reclassified to warrants on warrant issuance) and the residual right to acquire the Copaquire NSR is $nil. Accretion charges attributable to the debenture for the nine months ended September 30, 2015 were $6,901. This amount is added to the liability component and is included in bank and interest charges.

(Expressed in Canadian Dollars)

7. Debentures and loans (continued)

(e) On August 26, 2015, the Company issued $25,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% NSR (see note 5(a)) and October 31, 2016. As part of the debentures, the Company was required to issue 250,000 warrants, exercisable at a price of $0.05 per share until October 31, 2016 (see note 10). On November 1, 2016, if the debentures are not repaid in full plus a bonus of 100% of the principal, the holders shall have the right to acquire $25,000/US$1,000,000 percent of the Copaquire NSR. The debenture is secured by the shares of the Company's subsidiary, IPBX, that contains the Copaquire NSR.

The Company used the residual value method to allocate the principal amount of the debenture between the liability component, equity component and the right to acquire the Copaquire NSR. 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 non-secured debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 1.18 years expected average life; 168% expected volatility; risk-free interest rate of 0.39%; 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 $22,677 ($21,531 net of transaction costs), the equity component is $2,323 (reclassified to warrants on warrant issuance) and the residual right to acquire the Copaquire NSR is $nil. Accretion charges attributable to the debenture for the nine months ended September 30, 2015 were $544. This amount is added to the liability component and is included in bank and interest charges.

8. Issued capital

As part of the share consolidation completed on February 28, 2014 all applicable references to the number of shares, warrants and stock options and their strike price and per share information has been restated on the basis of 10 old common shares for 1 new common share.

a) Authorized share capital

At September 30, 2015, 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, 2013	**16,081,375**	**$ 47,517,549**
Private placement (i)	8,512,000	851,200
Share issuance costs	-	(9,752)
Balance, September 30, 2014	**24,593,375**	**$ 48,358,997**
Balance, December 31, 2014	**24,593,375**	**$ 48,358,997**
Shares issued for mineral exploration properties (note 5(f))	600,000	27,000
Balance, September 30, 2015	**25,193,375**	**$ 48,385,997**

(i) On June 11, 2014, the Company completed a non-brokered private placement for 8,512,000 units, each unit consisting of one common share and one half of a common share purchase warrant at a price of $0.10 per unit for total gross proceeds of $851,200. Each whole common share purchase warrant shall entitle the holder to acquire one common share of the Company at a price of $0.15 per share until June 11, 2015.

(Expressed in Canadian Dollars)

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 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 years presented:

	Number of stock options	Weighted average exercise price ($)
Balance, December 31, 2013	**305,000**	**1.90**
Expired	(135,000)	2.87
Granted (i)	2,000,000	0.25
Balance, September 30, 2014	**2,170,000**	**0.32**
Balance, December 31, 2014	**2,170,000**	**0.32**
Expired	(290,000)	0.81
Balance, September 30, 2015	**1,880,000**	**0.25**

(i) On June 11, 2014, the Company granted stock options to certain members of management and certain directors of the Company for the purchase of a total of 2,000,000 common shares. The options are exercisable for a period of five years at an exercise price of $0.25 per share and vested immediately. The fair value of these options at the date of grant was estimated at $202,000 using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; 169% expected volatility; risk-free interest rate of 1.60%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options.

The following table reflects the actual stock options issued and outstanding as of September 30, 2015:

Expiry date	Exercise price ($)	Remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
June 11, 2019	0.25	3.70	1,880,000	1,880,000

(Expressed in Canadian Dollars)

10. Warrants

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

	Number of warrants	Weighted average exercise price ($)
Balance, December 31, 2013	**2,151,758**	**0.25**
Granted (note 8(b)(i))	4,256,000	0.15
Expired	(2,151,758)	0.25
Balance, September 30, 2014	**4,256,000**	**0.15**

	Number of warrants	Weighted average exercise price ($)
Balance, December 31, 2014	**4,256,000**	**0.15**
Granted (note 7)	3,150,000	0.05
Expired	(4,256,000)	0.15
Balance, September 30, 2015	**3,150,000**	**0.05**

The following table reflects the actual warrants issued as of September 30, 2015:

Number of warrants outstanding	Grant date fair value	Exercise price ($)	Expiry date
3,150,000	72,898	0.05	October 31, 2016

11. Net loss per share

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2015 was based on the loss attributable to common shareholders of $117,708 and $416,686, respectively (three and nine months ended September 30, 2014 - $1,148,561 and $1,676,618, respectively) and the weighted average number of common shares outstanding of 25,193,375 and 25,004,364, respectively (three and nine months ended September 30, 2014 - 24,593,375 and 19,542,298, respectively). Diluted loss per share did not include the effect of 1,880,000 options outstanding (three and nine months ended September 30, 2014 - 2,170,000 options outstanding) or the effect of 3,150,000 warrants outstanding (three and nine months ended September 30, 2014 - 4,256,000 warrants outstanding) as they are anti-dilutive.

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 September 30, 2015, the directors and/or officers of the Company collectively control 3,024,533 common shares of the Company or approximately 12% 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.

(Expressed in Canadian Dollars)

12. Related party balances and transactions (continued)

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

	Notes		Three months ended September 30, 2015		Three months ended September 30, 2014		Nine months ended September 30, 2015		Nine months ended September 30, 2014
Administration expense	(i)	**$**	**36,000**	$	36,000	**$**	**108,000**	$	148,000
Accounting expense	(ii)	**$**	**11,076**	$	11,032	**$**	**35,586**	$	48,076
Geological consulting expense	(iii)	**$**	**2,110**	$	9,520	**$**	**23,330**	$	49,560
Consulting expense	(iv)	**$**	**-**	$	-	**$**	**-**	$	65,000

(i) For the three and nine months ended September 30, 2015, the Company incurred administration expenses from companies controlled by an officer of $36,000 and $108,000 (three and nine months ended September 30, 2014 - $36,000 and $148,000).

(ii) For the three and nine months ended September 30, 2015, the Company incurred accounting expenses from companies related to officers or former officers of $11,076 and $35,586 (three and nine months ended September 30, 2014 - $11,032 and $48,076).

(iii) For the three and nine months ended September 30, 2015, the Company incurred geological consulting expenses from a company controlled by an officer of $2,110 and $23,330 (three and nine months ended September 30, 2014 - $9,520 and $49,560).

(iv) For the three and nine months ended September 30, 2015, the Company incurred consulting expenses from directors of $Nil (three and nine months ended September 30, 2014 - $Nil and $65,000).

(v) Certain officers and directors, either directly or through a company they control, purchased an aggregate of 1,610,000 units in the June 11, 2014 private placement (see note 8(b)(i)).

(vi) As at September 30, 2015, included in accounts payable and accrued liabilities is $80,689 (December 31, 2014 - $8,312) due to related parties.These amounts are unsecured, non-interest bearing and due on demand.

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

		Three months ended September 30, 2015		Three months ended September 30, 2014		Nine months ended September 30, 2015		Nine months ended September 30, 2014
Fees charged:								
Directors	**$**	**-**	$	-	**$**	**-**	$	65,000
Chief Executive Officer		**36,000**		36,000		**108,000**		148,000
Chief Financial Officer		**11,076**		11,032		**35,586**		14,576
Chief Financial Officer (former)		**-**		-		**-**		33,500
VP Exploration		**2,110**		9,520		**23,330**		49,560
Share-based benefits:								
Directors		**-**		-		**-**		72,720
Chief Executive Officer		**-**		-		**-**		80,800
Chief Financial Officer		**-**		-		**-**		12,120
Chief Financial Officer (former)		**-**		-		**-**		12,120
VP Exploration		**-**		-		**-**		24,240
Total remuneration	**$**	**49,186**	$	56,552	**$**	**166,916**	$	512,636

12. Related party balances and transactions (continued)

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

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.

13. Segmented information

The Company operates in one industry segment, namely exploration of mineral resources in one geographic region, Chile.

14. 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.

Change of control

Pursuant to a consulting agreement with the CEO, in the event of termination or a Change of Control of the Company, the CEO is entitled to receive compensation equal to 12 months of pay totaling $144,000.

Property taxes

The Company has unpaid property tax for various mineral exploration property claims totaling approximately 188,327,809 Chilean Pesos ($371,006) which has been included in accounts payable and accrued liabilities as at September 30, 2015. 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.

15. Proposed transaction

On September 24, 2015, the Company announced it had entered into an agreement to acquire four Copper Gold projects from Cogonov Inc. (“Cogonov”). The Projects referred to as Fox River, Lynn, Parrsboro and Bass River have been the focus of considerable exploration efforts over the last several years via Cogonov and historical owners Minotaur Atlantic Exploration Ltd.

The structure of the acquisition is subject to receipt of tax, corporate and securities law advice for both of Chilean Metals and Cogonov. Once the structure is determined, the letter agreement will be replaced with a definitive agreement. It is currently contemplated that Chilean Metals will issue an estimated 26,500,000 common shares to the shareholders of Cogonov (directly or indirectly). No new control persons or insiders are expected to be created in Chilean Metals by the issuance of the Chilean Metals shares.

As part of the non-binding letter agreement, Chilean Metals will receive a non-refundable $50,000 fee, of which $25,000 has been obtained at September 30, 2015, with the balance received subsequent to September 30, 2015. Subsequently the parties expect to arrange a minimum of $500,000 equity financing for Chilean Metals to be priced at a later date. The funds will be used for general working capital purposes.

15. Proposed transaction (continued)

Upon closing of this transaction, Chilean Metals will appoint Patrick J Cruickshank to its Board of Directors and as CEO of the Company. Terry Lynch will become Company Chairman.

The proposed acquisition is subject to the parties negotiating and entering into a definitive transaction agreement and applicable TSX-V and other regulatory approvals.