

---

**CHILEAN METALS INC.**  
**(FORMERLY INTERNATIONAL PBX VENTURES LTD.)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**  
**(EXPRESSED IN CANADIAN DOLLARS)**

---

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Chilean Metals Inc.

We have audited the accompanying consolidated financial statements of Chilean Metals Inc. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of loss and comprehensive loss, consolidated statement of cash flows, and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Chilean Metals Inc. and its subsidiaries as at December 31, 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Other Matter

The consolidated financial statements of Chilean Metals Inc. for the year ended December 31, 2013, were audited by other auditors who expressed an unmodified opinion on those statements on April 29, 2014.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company had continuing losses during the year ended December 31, 2014 and a working capital deficiency as at December 31, 2014. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP



Chartered Accountants  
Licensed Public Accountants

TORONTO, Canada  
April 30, 2015

**Chilean Metals Inc.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

	As at December 31, 2014	As at December 31, 2013
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 70,255	\$ 62,902
Amounts receivable	28,980	7,748
Advances, prepaid expenses and deposits	21,352	9,325
Assets held for sale (note 6)	-	2,742,838
<b>Total current assets</b>	<b>120,587</b>	<b>2,822,813</b>
<b>Non-current assets</b>		
Equipment (note 4)	17,499	26,351
Mineral exploration properties (note 5)	4,566,374	5,564,813
<b>Total assets</b>	<b>\$ 4,704,460</b>	<b>\$ 8,413,977</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 12)	\$ 383,621	\$ 1,099,458
Deferred acquisition deposit (Note 5(a))	-	201,736
Loans payable (notes 7(c) and (d))	94,000	343,310
Convertible debentures (note 7(a))	-	1,943,365
<b>Total liabilities</b>	<b>477,621</b>	<b>3,587,869</b>
<b>Shareholders' equity</b>		
Issued capital (note 8)	48,358,997	47,517,549
Contributed surplus	3,392,781	3,190,781
Deficit	(47,524,939)	(45,882,222)
<b>Total shareholders' equity</b>	<b>4,226,839</b>	<b>4,826,108</b>
<b>Total equity and liabilities</b>	<b>\$ 4,704,460</b>	<b>\$ 8,413,977</b>

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

**Commitments and contingencies** (note 14)

**Subsequent events** (notes 12(a)(v) and 18)

On behalf of the Board:

(Signed) *Terry Lynch*  
Terry Lynch  
Director

(Signed) *Peter Kent*  
Peter Kent  
Director

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

# Chilean Metals Inc.

## Consolidated Statements of Loss and Comprehensive Loss (Expressed in Canadian Dollars)

	Year ended December 31,	
	2014	2013
<b>Administrative expenses</b>		
Administration fees (note 12)	\$ 384,409	\$ 252,163
Amortization	8,852	93,493
Bank and interest charges (note 7)	56,568	155,215
Foreign exchange gain	(50,818)	(5,804)
Generative exploration expense (recovery)	(15,701)	225,932
Investor relations	13,698	21,859
Office and miscellaneous	134,823	220,052
Professional fees (note 12)	183,480	387,883
Share-based payments (note 12)	202,000	-
Transfer agent and regulatory	59,475	23,540
Travel, promotion and mining shows	30,836	57,475
<b>Net operating loss before other items</b>	<b>(1,007,622)</b>	<b>(1,431,808)</b>
<b>Other items</b>		
Financing costs for convertible debentures	-	(1,045,044)
Other income (note 12(a)(v))	101,747	-
Realized loss on disposal of marketable securities	-	(31,307)
Realized gain on disposal of camp (note 6)	318,901	-
Impairment loss on mineral exploration properties (notes 5 and 6)	(1,055,743)	(17,025,440)
<b>Net loss for the year</b>	<b>(1,642,717)</b>	<b>(19,533,599)</b>
<b>Other comprehensive loss</b>		
<b>Item that will be reclassified subsequently to income</b>		
Reversal of unrealized loss on sale of marketable securities	-	31,059
<b>Net comprehensive loss for the year</b>	<b>\$ (1,642,717)</b>	<b>\$ (19,502,540)</b>
<b>Basic and diluted net loss per share (note 11)</b>	<b>\$ (0.08)</b>	<b>\$ (1.23)</b>
<b>Weighted average number of common shares outstanding - basic and diluted (note 11)</b>	<b>20,815,446</b>	<b>15,926,309</b>

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

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

Year ended  
December 31,  
**2014**                      **2013**

<b>Operating activities</b>		
Net loss for the year	\$ (1,642,717)	\$(19,533,599)
Items not affecting cash:		
Amortization	8,852	93,493
Share-based payments	202,000	-
Impairment loss on mineral property	1,055,743	17,025,440
Accrued interest	-	102,915
Realized loss on disposal of marketable securities	-	31,307
Financing costs for convertible debt	-	1,017,985
Realized gain on disposal of camp	(318,901)	-
Non-cash working capital items:		
Amounts receivable	(21,232)	83,010
Advances, prepaid expenses and deposits	(12,027)	38,005
Accounts payable and accrued liabilities	(715,837)	(66,948)
<b>Net cash used in operating activities</b>	<b>(1,444,119)</b>	<b>(1,208,392)</b>
<b>Financing activities</b>		
Share capital issued	851,200	-
Share issuance costs	(9,752)	(2,659)
Loans received	-	388,000
Loan repayments	(249,310)	(273,000)
Issuance (repayment) of convertible debentures	(1,943,365)	934,380
<b>Net cash provided by (used in) financing activities</b>	<b>(1,351,227)</b>	<b>1,046,721</b>
<b>Investing activities</b>		
Acquisition of and expenditures on mineral exploration properties	(57,304)	(100,249)
Proceeds from sale of marketable securities	-	694
Deferred acquisition deposit	(201,736)	201,736
Proceeds on sale of property	3,061,739	-
<b>Net cash provided by investing activities</b>	<b>2,802,699</b>	<b>102,181</b>
<b>Net change in cash</b>	<b>7,353</b>	<b>(59,490)</b>
<b>Cash, beginning of year</b>	<b>62,902</b>	<b>122,392</b>
<b>Cash, end of year</b>	<b>\$ 70,255</b>	<b>\$ 62,902</b>
<b>Supplemental disclosures</b>		
Interest paid	\$ 108,760	\$ 24,152

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

---

**Chilean Metals Inc.****Consolidated Statements of Changes in Equity****(Expressed in Canadian Dollars)**

---

	Common Shares		Share Subscriptions	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
	Number	Amount					
<b>Balance, December 31, 2012</b>	<b>14,690,332</b>	<b>\$ 46,809,389</b>	<b>\$ 647,750</b>	<b>\$ 3,190,781</b>	<b>\$ (31,059)</b>	<b>\$(26,348,623)</b>	<b>\$ 24,268,238</b>
Private placements	1,079,583	647,750	(647,750)	-	-	-	-
Share issuance cost	-	(23,195)	-	-	-	-	(23,195)
Convertible debenture shares	311,460	83,605	-	-	-	-	83,605
Net comprehensive loss for the year	-	-	-	-	31,059	(19,533,599)	(19,502,540)
<b>Balance, December 31, 2013</b>	<b>16,081,375</b>	<b>\$ 47,517,549</b>	<b>\$ -</b>	<b>\$ 3,190,781</b>	<b>\$ -</b>	<b>\$(45,882,222)</b>	<b>\$ 4,826,108</b>
Private placements	8,512,000	851,200	-	-	-	-	851,200
Share issue costs - cash	-	(9,752)	-	-	-	-	(9,752)
Share-based payments	-	-	-	202,000	-	-	202,000
Net comprehensive loss for the year	-	-	-	-	-	(1,642,717)	(1,642,717)
<b>Balance, December 31, 2014</b>	<b>24,593,375</b>	<b>\$ 48,358,997</b>	<b>\$ -</b>	<b>\$ 3,392,781</b>	<b>\$ -</b>	<b>\$(47,524,939)</b>	<b>\$ 4,226,839</b>

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

---

# CHILEAN METALS INC.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

---

### 1. Nature of operations and going concern

Chilean Metals Inc. (formerly International PBX Ventures Ltd; the "Company") is an exploration stage 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 the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development and achieve profitable production or alternatively, 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 consolidated 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 consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. During the year ended December 31, 2014, the Company incurred a net loss of \$1,642,717 (year ended December 31, 2013 - \$19,533,599). As at December 31, 2014, the Company has incurred significant losses since inception totalling \$47,524,939 (December 31, 2013 - \$45,882,222). At at December 31, 2014, the Company has a working capital deficiency of \$357,034 (December 31, 2013 - \$765,056); 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

The consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements for the year ended December 31, 2014 were approved and authorized for issue by the Company's Board of Directors on April 30, 2015.

These consolidated 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.

---

# CHILEAN METALS INC.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

---

### 2. Basis of presentation (continued)

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed below.

### 3. Significant accounting policies

#### (a) Basis of consolidation

These consolidated financial statements for the year ended December 31, 2014 include the accounts of the Company, its wholly-owned Chilean subsidiary, Minera IPBX Ltda., and its wholly-owned Canadian subsidiaries, Tierra de Oro Resources Ltd. and Chilean Metals Exploration Ltd. These consolidated financial statements include the indirectly 100% owned Canadian subsidiaries of SPN Metals Exploration Ltd., TDO Metals Exploration Ltd., Pintada Minerals Inc., Pintada Holdings Inc., Palo Negro Mining Inc., Palo Negro Holdings Inc., Verna Explorations Ltd., and Verna Holdings Ltd. The Company also has a 100% indirect interest in three Chilean subsidiaries: Minera Tierra de Oro Ltda., Minera Palo Negro Ltda. and Minera Sierra Pintada Ltda. All material inter-company balances and transactions have been eliminated on consolidation.

#### (b) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

#### (c) Marketable securities

The Company has classified its marketable securities as available-for-sale and therefore carries them at fair market value with the unrealized gain or loss recorded in accumulated other comprehensive income. Fair values were determined by reference to published price quotations in an active market as at December 31, 2013. When marketable securities are disposed of any unrealized gain or loss in the accumulated other comprehensive income will become realized and the corresponding gain or loss will be recognized in the net operating income or loss from operations.

#### (d) Equipment

Equipment is recorded at cost less accumulated amortization less impairment losses. Amortization method, useful life and residual values are assessed annually and currently is recognized on the declining balance basis at the following rates per annum:

Furniture and office equipment	30%
Field equipment	30%
Camp	30%

Where an item of equipment comprises significant components with different useful lives, the components are accounted for as separate items of equipment. Subsequent costs to replace parts of an item of equipment are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and the cost of the item can be measured reliably. The costs of day-to-day servicing are recognized in profit or loss as incurred.



---

# CHILEAN METALS INC.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

---

### 3. Significant accounting policies (continued)

#### (e) Mineral exploration properties

Exploration and evaluation costs, including the acquisition, exploration and development of mineral properties are capitalized as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and the commercial viability of the project. The capitalized costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. When a license is relinquished or a project is abandoned, the related costs are recognized in profit and loss immediately. Upon commencement of commercial production, the related accumulated costs are amortized to income using the units of production method over estimated recoverable ore reserves. Management periodically assesses the carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that have lapsed, the unrecoverable amounts are expensed.

The recoverability of the carried amounts of mineral exploration properties is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral exploration properties contain economically recoverable reserves. Amounts capitalized as mineral exploration properties represent costs incurred to date, less write-downs and recoveries, and do not necessarily reflect present or future values. The costs incurred include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

#### (f) Impairment

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indications of impairment exist, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

---

# CHILEAN METALS INC.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

---

### 3. Significant accounting policies (continued)

#### (g) Decommissioning liabilities

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities and may from time to time incur decommissioning liabilities and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at December 31, 2014 and 2013, the Company had not incurred any decommissioning liabilities related to the exploration of its mineral properties.

#### (h) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

#### (i) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

#### (j) Foreign currency translation

The reporting currency of the Company is the Canadian dollar.

The functional currency of the Company and its Canadian and Chilean subsidiaries is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation of monetary assets and liabilities not denominated in the functional currency of an entity at period end exchange rates are recognized in the statement of loss.

Management determines the functional currency by examining the primary economic environment in which it operates. The Company considers the following factors in determining its functional currency:

- (i) The currency that mainly influence labor, material and other costs of providing goods;
- (ii) The currency in which funds from financing activities are generated;
- (iii) The currency in which receipts from operating activities are usually retained; and
- (iv) Whether the activities are carried out as an extension of the Company rather than being carried out with a significant degree of autonomy.

---

# CHILEAN METALS INC.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

---

### 3. Significant accounting policies (continued)

#### (k) Income taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred income taxes and liabilities are recognized to reflect the expected deferred tax consequences arising from temporary differences between the carrying value and the tax bases of the deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. Deferred tax assets are not recognized if it is probable that the asset will not be realized.

The following temporary differences do not result in deferred tax assets or liabilities:

- (i) the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- (ii) goodwill; and
- (iii) investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### (l) Financial instruments

##### *Financial assets*

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or financial assets at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At December 31, 2014 and 2013, the Company's cash and amounts receivable are classified as loans and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income except for losses in value that are considered other than temporary, in which case the losses are recognized in the statement of loss. During the year ended December 31, 2013, the Company disposed of marketable securities classified as available-for-sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

##### *Financial liabilities*

All financial liabilities are initially recorded at fair value and designated upon inception as financial liabilities at FVTPL or other financial liabilities.

---

# CHILEAN METALS INC.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

---

### 3. Significant accounting policies (continued)

#### (l) Financial instruments (continued)

##### *Financial liabilities (continued)*

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, loans payable and convertible debentures are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company is not exposed to any derivative instruments and foreign exchange hedges in place at this time.

#### (m) Share-based payments

The Company has a stock option plan, which is described in Note 9. The Company applies the fair value method to all share-based payments and to all grants that are direct awards of stock that call for settlement in cash or other assets. Options granted under the Company's stock option plan vest as determined by the directors at the time of grant. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, share capital is credited for the consideration received and the related contributed surplus is decreased.

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless the fair value cannot be estimated reliably, in which case they are recorded at the fair value of the equity instruments granted.

#### (n) Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity. The Company does not bifurcate the value of warrants issued as part of a unit raise.

---

# CHILEAN METALS INC.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

---

### 3. Significant accounting policies (continued)

#### (o) Loss per share

The Company uses the treasury stock method in computing loss per share. Under this method, basic loss per share is computed by dividing losses available to common shareholders by the weighted average number of common shares outstanding during the period. For the years ended December 31, 2014 and 2013, the existence of warrants and options causes the calculation of diluted loss per share to be anti-dilutive.

#### (p) Convertible debentures

When convertible debentures are issued, the Company analyzes their terms and conditions and first assesses whether the debenture is an equity or liability using the criteria provided in IAS 32. The Company may also conclude that the convertible debentures have both debt and equity components. Where there is a debt component that meets the definition of a financial liability and also an equity component where the debenture holder has a conversion option, the following paragraphs describe that accounting treatment.

The component parts of convertible debentures issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion right classified as equity is determined by deducting the amount of the liability component from the fair value of the convertible debenture as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion right classified as equity will remain in equity until the conversion right is exercised, in which case, the balance recognized in equity will be transferred to share capital. When the conversion rights remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to accumulated deficit. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion right.

#### (q) Critical accounting estimates and judgments

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year are:

#### (i) Impairment of mineral exploration properties and equipment

The Company's fair value measurement with respect to the carrying amount of non-financial assets is based on numerous assumptions and may differ significantly from actual fair values. The fair values are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated fair values of non-financial assets to their carrying values. The Company's fair value estimates are based on numerous assumptions. The fair value estimates may differ from actual fair values and these differences may be significant and could have a material impact on the Company's financial position and result of operations. Assets are reviewed for an indication of impairment at each reporting date. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in copper and gold prices.

---

# CHILEAN METALS INC.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

---

### 3. Significant accounting policies (continued)

#### (q) Critical accounting estimates and judgments (continued)

##### (ii) Share-based payments

When options and warrants are issued by the Company, it calculates their estimated fair value using the Black-Scholes option pricing model, which may not reflect the actual value on exercise. The Company uses publicly available rates, where available, as inputs into the model including volatility assumptions. The Company recognizes the fair value of these options on the consolidated statement of loss when vesting occurs.

##### (iii) Income taxes

The Company is subject to income and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made. All estimates for value added and withholding taxes have been included in accounts payable and accrued liabilities.

##### (iv) Restoration, rehabilitation and environmental provisions

The Company assumes no material restoration, rehabilitation and environmental provisions based on facts and circumstances that existed as of each reporting period. The Company must review this assumption in accordance with exploration results, existing laws, contracts and other policies. A material restoration obligation involves a number of estimates relating to timing, type of costs and associated contract negotiations, and a review of potential methods and technical advancements.

Critical accounting judgments made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year are:

##### (i) Going concern

The going concern presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

##### (ii) Determination of functional currency

Under IFRS, each entity must determine its own functional currency, which becomes the currency that entity measures its results and financial position in. In determining the functional currencies of the Company and its subsidiaries, the Company considered many factors, including the currency that mainly influences sales prices for goods and services, the currency of the country whose competitive forces and regulations mainly determine the sales prices, and the currency that mainly influences labour material and other costs for each consolidated entity.

---

# CHILEAN METALS INC.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

---

### 3. Significant accounting policies (continued)

#### (r) Change in accounting policies

The Company adopted the following accounting pronouncements during the period.

(i) IAS 32, Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. At January 1, 2014, the Company adopted these amendments and there was no material impact on the Company's consolidated financial statements.

(ii) IAS 36, Impairment of Assets ("IAS 36") was amended in May 2013 to provide guidance on recoverable amount disclosures for non-financial assets. At January 1, 2014, the Company adopted these amendments and there was no material impact on the Company's consolidated financial statements.

(iii) IFRIC 21, Levies ("IFRIC 21") addresses when an entity should recognize a liability to pay a government levy (other than income taxes). IFRIC 21 is an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. At January 1, 2014, the Company adopted this pronouncement and there was no material impact on the Company's consolidated financial statements.

#### (s) Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2015 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 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. The amendments to IAS 24 are effective for annual periods beginning on or after July 1, 2014.

(iii) 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.

---

**CHILEAN METALS INC.**

Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

---

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

	Field Equipment	Furniture and Office Equipment	Camp	Total
Balance, December 31, 2012	\$ 83,278	\$ 123,676	\$ 453,662	\$ 660,616
Reclassified to assets held for sale (note 5(a))	-	-	(453,662)	(453,662)
Balance, December 31, 2013 and December 31, 2014	\$ 83,278	\$ 123,676	\$ -	\$ 206,954

**Accumulated amortization**

	Field Equipment	Furniture and Office Equipment	Camp	Total
Balance, December 31, 2012	\$ 59,061	\$ 100,225	\$ 184,628	\$ 343,914
Amortization	11,945	9,372	72,176	93,493
Reclassified to assets held for sale (note 5(a))	-	-	(256,804)	(256,804)
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

**Net book value**

	Field Equipment	Furniture and Office Equipment	Camp	Total
At December 31, 2013	\$ 12,272	\$ 14,079	\$ -	\$ 26,351
At December 31, 2014	\$ 8,149	\$ 9,350	\$ -	\$ 17,499



# CHILEAN METALS INC.

Notes to Consolidated Financial Statements  
Years Ended December 31, 2014 and 2013  
(Expressed in Canadian Dollars)

## 5. Mineral exploration properties

	Copaquire (a)	Sierra Pintada (b)	Tierra de Oro (c)	Other (d - h)	Total
<b>Balance, December 31, 2012</b>	<b>\$ 19,513,679</b>	<b>\$ 967,617</b>	<b>\$ 4,364,680</b>	<b>\$ -</b>	<b>\$ 24,845,976</b>
Acquisition and staking	77,734	88,126	95,803	48,587	310,250
Exploration					
Drilling recovery	(10,476)	-	-	-	(10,476)
Field costs	1,547	-	-	-	1,547
Exploration and acquisition costs 2013	68,805	88,126	95,803	48,587	301,321
Camp recovery cost	(11,064)	-	-	-	(11,064)
Impairment loss	(17,025,440)	-	-	-	(17,025,440)
Reclassified to assets held for sale	(2,545,980)	-	-	-	(2,545,980)
<b>Balance, December 31, 2013</b>	<b>-</b>	<b>1,055,743</b>	<b>4,460,483</b>	<b>48,587</b>	<b>5,564,813</b>
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)
<b>Balance, December 31, 2014</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,460,483</b>	<b>\$ 105,891</b>	<b>\$ 4,566,374</b>

### (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 (the "Camp"), 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.

The Company received an initial payment of \$201,736 (US\$200,000) upon the signing of the agreement on October 11, 2013 and this was classified as a deferred acquisition deposit on the statement of financial position at December 31, 2013 and subsequently removed upon the close of the sale on March 24, 2014.

In May 2011, the Company entered into an Option Purchase Agreement with Compania Minera Huatacondo S.C.M. and Sociedad Legal Minera Macate Primera de Huatacondo of Chile to acquire 111 mining claims. In 2012, the Company extended its Options Agreement by one further claim adjacent to the north and west of the Company's Copaquire claims for a total purchase price of US\$800,000 payable over a period of four years (included in the acquisition and staking section in the table above) as follows:

- US\$196,000 upon settlement – May 5, 2011 (paid);
- US\$201,333 on or before May 5, 2012 (paid);
- US\$67,111 on or before September 5, 2013 (paid October 16, 2013);
- US\$67,111 on or before January 5, 2014 (assumed by Teck per agreement);
- US\$67,111 on or before May 5, 2014 (assumed by Teck per agreement) and;
- US\$201,334 on or before May 5, 2014 (assumed by Teck per agreement).

---

## CHILEAN METALS INC.

### Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

---

#### 5. Mineral properties (continued)

##### *(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 exploitation and exploration concessions in Region III, Chile.

##### *(d) Hornitos Property, Chile*

The Company owns eleven claims south of Copiapo, Chile. Currently, the Company is not conducting active exploration on the property.

##### *(e) Palo Negro Property, Chile*

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

##### *(f) Zulema aka. Chicharra Property, Chile*

The Company has acquired 100% of the rights to exploitation concessions.

In October 2014, the Company completed the acquisition of nine mining concessions from Compañía 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.

##### *(g) Tabaco, Chile*

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

##### *(h) Other Property, Chile*

The Company has acquired 100% of the rights to an exploitation concession in Chile. Currently, the Company is not conducting active exploration on the property.

#### 6. Assets held for sale

During the year ended December 31, 2014, the Company disposed of the Copaquire Property and Camp pursuant to the Sale Agreement described in note 5(a) 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.

---

## CHILEAN METALS INC.

### Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

---

#### 6. Assets held for sale (continued)

The table below outlines the assets held for sale values at December 31, 2013 and December 31, 2014:

<b>Assets held for sale</b>	<b>Amount</b>
Fair value less costs to sell of Copaquire Property	\$ 2,545,980
Carrying amount of Camp	196,858
<b>Assets held for sale, December 31, 2013</b>	<b>2,742,838</b>
Disposition of Copaquire Property March 24, 2014	(2,545,980)
Disposition of Copaquire Camp March 24, 2014	(196,858)
<b>Assets held for sale, December 31, 2014</b>	<b>\$ -</b>

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. Convertible debentures and loans

(a) During the year ended December 31, 2013, the Company issued \$934,380 of convertible debentures ("Debentures") bearing interest at a rate of 14% per annum and maturing on the earliest of (1) June 1, 2014; (2) the sale of the Copaquire Property; or (3) in the event of the sale (change of control) of the Company (the "maturity date events"). The Debentures were convertible at \$0.06 per share after December 1, 2013 at the holder's option if the Company did not repay the principal in full with interest plus a bonus amount equal to 100% of the principal (the "100% bonus") on or before December 1, 2013. In the event of a sale of the Copaquire Property or the Company at any time up until June 1, 2014 the Debentures were due in full immediately including accrued interest and the 100% bonus.

In addition, each holder of the Debentures received an amount equal to 10% of the principal of the Debentures in common shares of the Company at a price of approximately \$0.03 per share upon purchase of the Debentures. The fair value of the shares, as determined by the market price on the date of issuance, was \$83,605.

The Company determined the sale of the Copaquire Property was substantially complete and therefore a maturity date event had been triggered upon receiving shareholder approval of the preliminary Sale Agreement in December 2013, as the final Sale Agreement, which was signed on January 20, 2014, was substantially the same as the preliminary Sale Agreement. Under the terms of the convertible debenture agreement, the principal amount, accrued interest and the 100% bonus were deemed payable as at December 31, 2013.

**CHILEAN METALS INC.**  
**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2014 and 2013**  
**(Expressed in Canadian Dollars)**

**7. Convertible debentures and loans**

(a) (continued) The Debentures matured on March 24, 2014 when the sale of the Copaquire Property closed. As at March 24, 2014, the total interest accrued on the debentures was \$103,846.

<b>Balance, December 31, 2012</b>	<b>\$ -</b>
Issuance of convertible debentures	934,380
Transaction costs	(110,664)
Accretion	110,664
Accrued interest	74,605
100% bonus	934,380
<b>Balance, December 31, 2013</b>	<b>1,943,365</b>
Accrued interest	29,241
Less: maturity repayments	(1,972,606)
<b>Balance, December 31, 2014</b>	<b>\$ -</b>

(b) During the year ended December 31, 2013, the Company obtained a loan facility for \$300,000 of which \$273,000 was drawn during the year. The Company repaid the drawn balance on the loan facility in full plus accrued interest totalling \$289,380 before the end of the year ended December 31, 2013 and the loan is no longer available to draw upon.

(c) The Company had two loans totalling \$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.

(d) The Company had a loan outstanding for an aggregate amount of \$115,000 at December 31, 2013, bearing interest at 18% per annum and maturing April 23, 2014. The loan was repaid during the year ended December 31, 2014 plus accrued interest of \$10,350.

**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 December 31, 2014, 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.

---

**CHILEAN METALS INC.****Notes to Consolidated Financial Statements****Years Ended December 31, 2014 and 2013****(Expressed in Canadian Dollars)**

---

**8. Issued capital (continued)**

## b) Common shares issued

	Number of common shares	Amount
<b>Balance, December 31, 2012</b>	<b>14,690,332</b>	<b>\$ 46,809,389</b>
Private placement (i)	1,079,583	647,750
Share issuance costs	-	(23,195)
Convertible debenture shares (note 7(a))	311,460	83,605
<b>Balance, December 31, 2013</b>	<b>16,081,375</b>	<b>47,517,549</b>
Private placement (ii)	8,512,000	851,200
Share issuance costs	-	(9,752)
<b>Balance, December 31, 2014</b>	<b>24,593,375</b>	<b>\$ 48,358,997</b>

(i) During the year ended December 31, 2013, the Company completed a non-brokered private placement for 1,079,583 units, each unit consisting of one common share and one common share purchase warrant at a price of \$0.60 per unit for total gross proceeds of \$647,750. Each whole common share purchase warrant entitled the holder to acquire one common share of the Company at a price of \$0.70 per share until December 31, 2014.

(ii) 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.

**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 (\$)
<b>Balance, December 31, 2012</b>	<b>865,000</b>	<b>2.50</b>
Expired	(560,000)	2.80
<b>Balance, December 31, 2013</b>	<b>305,000</b>	<b>1.90</b>
Expired	(135,000)	2.87
Granted (i)	2,000,000	0.25
<b>Balance, December 31, 2014</b>	<b>2,170,000</b>	<b>0.32</b>

# CHILEAN METALS INC.

## Notes to Consolidated Financial Statements Years Ended December 31, 2014 and 2013 (Expressed in Canadian Dollars)

### 9. Stock options (continued)

(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 December 31, 2014:

Expiry date	Exercise price (\$)	Remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
June 25, 2015	1.20	0.48	170,000	170,000
June 11, 2019	0.25	4.45	2,000,000	2,000,000
		<b>4.14</b>	<b>2,170,000</b>	<b>2,170,000</b>

### 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, 2012</b>	<b>1,336,175</b>	<b>1.80</b>
Granted (note 8(b)(i))	1,079,583	0.70
Expired	(264,000)	3.00
<b>Balance, December 31, 2013</b>	<b>2,151,758</b>	<b>0.25</b>
Granted (note 8(b)(ii))	4,256,000	0.15
Expired	(2,151,758)	0.25
<b>Balance, December 31, 2014</b>	<b>4,256,000</b>	<b>0.15</b>

(i) On December 4, 2013 the Company extended the expiry date of 1,079,583 warrants from December 31, 2013 to August 31, 2014.

(ii) On January 20, 2014 the Company extended the expiry date of 238,100 warrants set to expire February 8, 2014 to August 31, 2014.

(iii) On March 24, 2014 the Company extended the expiry dates of 418,825 warrants set to expire on April 27, 2014 and 415,250 warrants set to expire on July 27, 2014 to August 31, 2014, and received TSX-V approval on April 25, 2014 and April 30, 2014 respectively.

(iv) On March 24, 2014 the Company re-priced all outstanding warrants to have an exercise price of \$0.25, including 238,100 warrants with an original exercise price of \$2.50, 834,075 warrants with an original exercise price of \$1.20, and 1,079,583 warrants with an original exercise price of \$0.70, and received TSX-V approval for re-pricing of all warrants.

---

# CHILEAN METALS INC.

## Notes to Consolidated Financial Statements Years Ended December 31, 2014 and 2013 (Expressed in Canadian Dollars)

---

### 10. Warrants (continued)

The following table reflects the actual warrants issued as of December 31, 2014:

Number of warrants outstanding	Exercise price (\$)	Expiry date
4,256,000	0.15	June 11, 2015

### 11. Net loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2014 was based on the loss attributable to common shareholders of \$1,642,717 (year ended December 31, 2013 - loss of \$19,533,599) and the weighted average number of common shares outstanding of 20,815,446 (year ended December 31, 2013 - 15,926,309). Diluted loss per share did not include the effect of 2,170,000 options outstanding (year ended December 31, 2013 - 305,000 options outstanding) or the effect of 4,256,000 warrants outstanding (year ended December 31, 2013 - 2,151,758 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 December 31, 2014, 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.

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

	Notes	Year ended December 31,	
		2014	2013
Administration expense	(i)	\$ 184,000	\$ 144,000
Accounting expense	(ii)	\$ 64,925	\$ 148,115
Geological consulting expense	(iii)	\$ 58,040	\$ 89,360
Consulting expense	(iv)	\$ 65,000	\$ -

(i) For the year ended December 31, 2014, the Company incurred administration expenses from companies controlled by an officer of \$184,000 (year ended December 31, 2013 - \$144,000).

(ii) For the year ended December 31, 2014, the Company incurred accounting expenses from officers or former officers or companies related to officers or former officers of \$64,925 (year ended December 31, 2013 - \$148,115).

(iii) For the year ended December 31, 2014, the Company incurred geological consulting expenses from a company controlled by an officer of \$58,040 (year ended December 31, 2013 - \$89,360).

(iv) For the year ended December 31, 2014, the Company incurred consulting expenses from directors of \$65,000 (year ended December 31, 2013 - \$Nil).

---

# CHILEAN METALS INC.

## Notes to Consolidated Financial Statements Years Ended December 31, 2014 and 2013 (Expressed in Canadian Dollars)

---

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

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

(v) On February 27, 2013, a company controlled by a former officer and director of the Company, commenced action and filed a claim against the Company in the Supreme Court of British Columbia, Canada. The claim was for \$101,747 with respect to alleged past services provided. The claim also included interest and other related costs.

On March 20, 2013, the Company filed a counterclaim regarding alleged management fees payable of \$101,747. The counterclaim is in the amount of \$181,600.

Subsequent to December 31, 2014, the claim against the Company was dismissed and the Company's counterclaim was allowed in the amount of \$81,600 plus interest and other related costs. As a result the management fees payable of \$101,747 were written off. Due to the uncertainty surrounding the collection of the counterclaim, the \$81,600 has not been setup in amounts receivable at December 31, 2014.

(vi) Certain officers and directors, either directly or through a company they control, subscribed to an aggregate of \$75,000 convertible debentures (see note 7(a)). Included in finance charges in the year ended December 31, 2013 is \$37,500 relating to these debentures for the 100% bonus.

(vii) 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)(ii)).

(viii) As at December 31, 2014, included in accounts payable and accrued liabilities is \$8,312 (December 31, 2013 - \$25,755) 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:

	Year ended December 31,	
	2014	2013
<b>Fees charged:</b>		
Directors	\$ 65,000	\$ -
Chief Executive Officer	184,000	144,000
Chief Financial Officer	31,425	-
Chief Financial Officer (former)	33,500	148,115
VP Exploration	58,040	89,360
<b>Share-based benefits:</b>		
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	\$ 573,965	\$ 381,475

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.



---

# CHILEAN METALS INC.

Notes to Consolidated Financial Statements  
Years Ended December 31, 2014 and 2013  
(Expressed in Canadian Dollars)

---

## 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 totalling \$144,000.

### Property taxes

The Company has unpaid property tax for various mineral exploration property claims totalling approximately 120,764,272 Chilean Pesos (\$230,900) which has been included in accounts payable and accrued liabilities as at December 31, 2014. 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. The Company will also be required to pay property taxes for fiscal 2015 on its mineral exploration property claims of approximately 56,856,376 Chilean Pesos (\$108,700).

## 15. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate on the net loss for the years ended December 31, 2014 and December 31, 2013 is as follows:

	Year ended December 31,	
	2014	2013
Net loss before income taxes	\$ (1,642,717)	\$ (19,533,599)
Combined federal and provincial statutory income tax rate	26.50 %	26.00 %
Expected income tax recovery	\$ (435,000)	\$ (5,030,000)
Permanent differences	55,000	(15,000)
Differences between Canadian and foreign tax rates	13,000	1,030,000
Change in tax rates and other	(1,110,000)	(74,000)
Change in tax benefits not recognized	1,477,000	4,089,000
Income tax expense (recovery)	\$ -	\$ -

---

**CHILEAN METALS INC.****Notes to Consolidated Financial Statements****Years Ended December 31, 2014 and 2013****(Expressed in Canadian Dollars)**

---

**15. Income taxes (continued)**

Deferred income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	<b>As at December 31, 2014</b>	<b>As at December 31, 2013</b>
Non-capital losses carried forward	<b>\$ 14,580,000</b>	\$ 13,560,000
Capital losses carried forward	<b>341,000</b>	341,000
Property and equipment	<b>110,000</b>	110,000
Resources deductions	<b>23,726,000</b>	23,204,000
Other	<b>-</b>	1,055,000
Share issuance costs	<b>56,000</b>	90,000
	<b>\$ 38,813,000</b>	\$ 38,360,000

---

The Company has approximately \$7,305,000 (December 31, 2013 - \$3,280,000) of Chilean non-capital losses that carry forward indefinitely. The Company also has Canadian non-capital losses of approximately \$11,175,000 (December 31, 2013 - \$10,280,000) expiring as follows:

	<b>Canada</b>
2026	\$ 974,000
2027	1,192,000
2028	882,000
2029	725,000
2030	1,265,000
2031	1,648,000
2032	1,253,000
2033	1,970,000
2034	1,266,000
	<b>\$ 11,175,000</b>

---

**16. Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders, to maintain creditworthiness and to maximize returns for shareholders over the long term. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares and alternative financing activities dependent on market conditions.

---

# CHILEAN METALS INC.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

---

### 16. Capital management (continued)

The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2014. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX-V which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2014, the Company is not compliant with Policy 2.5. The impact of this violation is not known and is ultimately dependent on the discretion of the TSX-V.

The Company includes the components of shareholders' equity in its management of capital.

As at December 31, 2014, the Company had capital resources consisting of cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, obtain loans or issue convertible debenture securities to raise cash.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

### 17. Financial instruments and risk

#### *Fair value*

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, convertible debentures and loans payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature and current market rates for similar financial instruments.

The following table summarizes the carrying values of the Company's financial instruments:

	As at December 31, 2014	As at December 31, 2013
	\$	\$
<b>Assets:</b>		
<i>Loans and receivables</i>		
Cash	70,255	62,902
Amounts receivable	28,980	-
<b>Liabilities:</b>		
<i>Other financial liabilities</i>		
Accounts payable and accrued liabilities	383,621	1,099,458
Loans payable	94,000	343,310
Convertible debentures	-	1,943,365

The Company thoroughly examines the various financial instrument risks to which it is exposed, and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by management. There have not been any significant changes from the previous year as to how these risks are reviewed and monitored by management. The types of financial instrument risk exposures and the objectives and policies for managing these risk exposures is described below:

---

## CHILEAN METALS INC.

Notes to Consolidated Financial Statements  
Years Ended December 31, 2014 and 2013  
(Expressed in Canadian Dollars)

---

### 17. Financial instruments and risk (continued)

#### *Fair value (continued)*

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

Level 3 – Inputs that are not based on observable market data

As at December 31, 2014, and December 31, 2013, the Company's did not have any financial instruments measured at fair value.

#### *Credit Risk*

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places cash with financial institutions. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2014, the Company had cash and amounts receivable of \$99,235 (December 31, 2013 - \$70,650) to settle current liabilities of \$477,621 (December 31, 2013 - \$3,587,869). All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms, except for the remaining loan payable which is due on May 31, 2015. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity and the Company's ability to continue as a going concern.

#### *Foreign Exchange Risk*

The Company's functional currency is the Canadian dollar. However, the Company is exposed to the currency risk related to the fluctuation of foreign exchange rates as some of the Company's operations are located in Chile. A significant change in the currency exchange rates between the Canadian dollar relative to the Chilean peso could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations. The sensitivity of the Company's net earnings and other comprehensive income to changes in the exchange rate between the Canadian dollar and the Chilean peso resulting from a 1% change in the Chilean peso exchange rate relative to the Canadian dollar would change the Company's net loss by approximately \$8,600.

The Company is also exposed to the currency risk related to the fluctuation of US Dollar as some of the Company's expenses are denominated in US Dollars. As at December 31, 2014, currency risk for the US Dollar was not significant.

#### *Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to interest rate risk because it does not have loans that have a floating interest rate.

---

## **CHILEAN METALS INC.**

### **Notes to Consolidated Financial Statements**

**Years Ended December 31, 2014 and 2013**

**(Expressed in Canadian Dollars)**

---

#### **17. Financial instruments and risk (continued)**

##### *Commodity Price Risk*

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of gold and copper. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

#### **18. Subsequent events**

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 may be repaid prior to July 1, 2015 by paying a bonus of 20% of the principal. In the event the debentures are not repaid as of July 1, 2015, the Company will be required to issue 1,900,000 warrants, exercisable at a price of \$0.05 per share until October 31, 2016. 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, Minera IPBX Ltda., that contains the Copaquire NSR.

On March 30, 2015, the Company announced the acquisition of three mining concessions near the Candelaria mine in Chile's Third Region 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.