

**CHILEAN METALS INC.**  
Suite 206 – 490 Adelaide Street West  
Toronto, Ontario M5V 1T2

**INFORMATION CIRCULAR**  
as of September 15, 2016 (unless otherwise noted)

**MANAGEMENT SOLICITATION OF PROXIES**

**This Information Circular (the “Circular”) is furnished to you in connection with the solicitation of proxies by management of Chilean Metals Inc. (“we”, “us” or the “Company”) for use at the Annual General and Special Meeting (the “Meeting”) of shareholders of the Company to be held on Thursday, November 10, 2016, and at any adjournment of the Meeting. The Company will conduct the solicitation by mail and our officers, directors and employees may, without receiving special compensation, contact shareholders by telephone, electronic means or other personal contact. We will not specifically engage employees or soliciting agents to solicit proxies. We do not reimburse shareholders, nominees or agents (including brokers holding shares on behalf of clients) for their costs of obtaining authorization from their principals to sign forms of proxy. We will pay the expenses of this solicitation.**

**APPOINTMENT OF PROXY HOLDER**

**The persons named as proxy holders in the form of proxy are the Company’s directors or officers. As a shareholder, you have the right to appoint a person (who need not be a shareholder) in place of the persons named in the form of proxy to attend and act on your behalf at the Meeting. To exercise this right, you must either insert the name of your representative in the blank space provided in the form of proxy and strike out the other names or complete and deliver another appropriate form of proxy.**

A proxy will not be valid unless it is dated and signed by you or your attorney duly authorized in writing or, if you are a corporation, by an authorized director, officer, or attorney of the corporation.

**VOTING BY PROXY**

**The persons named in the form of proxy will vote or withhold from voting the shares represented by the proxy in accordance with your instructions, provided your instructions are clear. If you have specified a choice on any matter to be acted on at the Meeting, your shares will be voted or withheld from voting accordingly. If you do not specify a choice or where you specify both choices for any matter to be acted on, your shares will be voted in favour of all matters.**

**The form of proxy gives the persons named as proxy holders discretionary authority regarding amendments or variations to matters identified in the Notice of Meeting and any other matter that may properly come before the Meeting. As of the date of this Information Circular, our management is not aware of any such amendment, variation or other matter proposed or likely to come before the Meeting. However, if any amendment, variation or other matter properly comes before the Meeting, the persons named in the form of proxy intend to vote on such other business in accordance with their judgement.**

You may indicate the manner in which the persons named in the enclosed proxy are to vote on any matter by marking an “X” in the appropriate space. If you wish to give the persons named in the proxy a discretionary authority on any matter described in the proxy, then you should leave the space blank. **In that case, the proxy holders nominated by management will vote the shares represented by your proxy in accordance with their judgment.**

## NOTICE-AND-ACCESS

The Company has elected to use the “notice-and-access” process under National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”) and National Instrument 51-102 *Continuous Disclosure Obligations*, for distribution of this Circular and other meeting materials to registered Shareholders of the Company and non-registered Shareholders of the Company.

Notice-and-access allows issuers to post electronic versions of meeting materials, including circulars, annual financial statements and management discussion and analysis, online, via SEDAR and one other website, rather than mailing paper copies of such meeting materials to Shareholders. The Company anticipates that utilizing the notice-and-access process will substantially reduce both postage and printing costs.

The Company has posted the Circular, the Company’s audited financial statements for the years ended December 31, 2015 and 2014 (the “**Annual Financial Statements**”) and the Company’s management discussion and analysis for the year ended December 31, 2015 (the “**Annual MD&A**”) on the website, [www.meetingdocuments.com/cst/CMX](http://www.meetingdocuments.com/cst/CMX).

Although the Circular, Annual Financial Statements and the Annual MD&A (collectively, the “**Meeting Materials**”) will be posted electronically online, as noted above, the registered and non-registered Shareholders (collectively the “**Notice-and-Access Shareholders**”) will receive a “notice package” (the “**Notice-and-Access Notification**”), by prepaid mail, which includes the information prescribed by NI 54-101, and a proxy form or voting instruction form from their respective intermediaries. Notice-and-Access Shareholders should follow the instructions for completion and delivery contained in the proxy or voting instruction form. Notice-and-Access Shareholders are reminded to review the Circular before voting.

Notice-and-Access Shareholders will not receive a paper copy of the Meeting Materials unless they contact CST Trust Company in which case CST Trust Company will mail the requested materials within three business days of any request provided the request is made prior to the Meeting. Notice-and-Access Shareholders who are registered shareholders can request a copy of the Meeting Materials **without charge** by contacting CST Trust Company at 1-888-433-6443 up to the date of the Meeting, or any adjournment thereof, or thereafter by contacting the Corporation at 416 900-5445 or by email at [terry@chileanmetals.com](mailto:terry@chileanmetals.com). **Requests for paper copies of the Meeting Materials must be received at least five (5) business days in advance of the proxy deposit date and time set out below, being 11:00 a.m. on, Friday, November 1, 2016, in order to receive the Meeting Materials in advance of the proxy deposit date and Meeting.** Notice-and-Access Shareholders with questions about notice-and-access may contact CST Trust Company at 1-888-433-6443 up to the date of the Meeting, or any adjournment thereof, and thereafter may contact the Corporation at [416 900-5445](tel:4169005445) or by email at [terry@chileanmetals.com](mailto:terry@chileanmetals.com).

## RETURN OF PROXY

You must deliver the completed form of proxy to the office of our registrar and transfer agent, CST Trust Company, PO Box 721 Agincourt, Ontario, M1S 0A1, or to the Company’s head office at the address listed on the cover page of this Circular, not less than 48 hours (excluding Saturdays, Sundays, and holidays) before the scheduled time of the Meeting or any adjournment.

## ADVICE TO NON-REGISTERED SHAREHOLDERS

Only shareholders whose names appear on our records or validly appointed proxyholders are permitted to vote at the Meeting. Most of our shareholders are “non-registered” shareholders because their shares are

registered in the name of nominee, such as a brokerage firm, bank, trust company, trustee or administrator of a self-administered RRSP, RRIF, RESP or similar plan or a clearing agency such as CDS Clearing and Depository Services Inc. (a “**Nominee**”). If you purchased your shares through a broker, you are likely a non-registered shareholder.

Non-registered holders who have not objected to their Nominee disclosing certain ownership information about themselves to us are referred to as “NOBOs”. Those non-registered Holders who have objected to their Nominee disclosing ownership information about themselves to us are referred to as “OBOs”.

In accordance with the securities regulatory policy, we have distributed copies of the Notice-and-Access Notification to NOBOs and to the Nominees for onward distribution to OBOs. **The Company does not intend to pay for a Nominee to deliver to OBOs, therefore an OBO will not receive Notice-and-Access Notification unless the OBO’s Nominee assumes the costs of delivery.**

Nominees are required to forward the Meeting materials to each OBO unless the OBO has waived the right to receive them. Shares held by Nominees can only be voted in accordance with the instructions of the non-registered shareholder. Meeting materials sent to non-registered holders who have not waived the right to receive Meeting materials are accompanied by a request for voting instructions (a “VIF”). This form is instead of a proxy. By returning the VIF in accordance with the instructions noted on it, a non-registered holder is able to instruct the registered shareholder (or Nominee) how to vote on behalf of the non-registered shareholder. VIFs, whether provided by the Company or by a Nominee, should be completed and returned in accordance with the specific instructions noted on the VIF.

In either case, the purpose of this procedure is to permit non-registered shareholders to direct the voting of the shares which they beneficially own. **Should a non-registered holder who receives a VIF wish to attend the Meeting or have someone else attend on his/her behalf, the non-registered holder may request (in writing) to the Company or its Nominee, as applicable, without expense to the non-registered holder, that the non-registered holder or his/her nominee be appointed as proxyholder and have the right to attend and vote at the Meeting.** Non-registered shareholders should carefully follow the instructions set out in the VIF including those regarding when and where the VIF is to be delivered.

## REVOCATION OF PROXY

If you are a registered shareholder who has returned a proxy, you may revoke your proxy at any time before it is exercised. In addition to revocation in any other manner permitted by law, a registered shareholder who has given a proxy may revoke it by either:

- (a) signing a proxy bearing a later date; or
- (b) signing a written notice of revocation in the same manner as the form of proxy is required to be signed as set out in the notes to the proxy; or
- (c) attending the Meeting in person and registering with the scrutineer as a registered shareholder present in person.

The later proxy or the notice of revocation must be delivered to the office of our registrar and transfer agent or to our head office at any time up to and including the last business day before the scheduled time of the Meeting or any adjournment, or to the Chairman of the Meeting on the day of the Meeting or any adjournment.

If you are a non-registered shareholder who wishes to revoke a VIF or to revoke a waiver of your right to receive Meeting materials and to give voting instructions, you must give written instructions to your Nominee at least seven days before the Meeting.

## **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

None of the directors or executive officers of the Company, nor any person who has held such a position since the beginning of the last completed financial year of the Company, nor any proposed nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting. Other than the adoption of the Company's stock option plan, approval of which will be sought at the Meeting. Directors and executive officers of the Company may participate in the Company's stock option plan, and accordingly have an interest in its approval. See "Particulars of Matters to be Acted On – Shareholder Approval of Stock Option Plan".

## **VOTING SHARES AND PRINCIPAL SHAREHOLDERS**

We are authorized to issue an unlimited number of common shares without par value, of which 43,943,374 common shares were issued and outstanding as of September 15, 2016. There is one class of voting shares only. The Company is also authorized to issue 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. There are no Class A or Class B preference shares issued and outstanding.

Persons who are registered shareholders at the close of business on September 15, 2016 will be entitled to receive notice of, attend, and vote at the Meeting. On a show of hands, every shareholder and proxy holder will have one vote and, on a poll, every shareholder present in person or represented by proxy will have one vote for each share. In order to approve a motion proposed at the Meeting, a majority of more than 50% of the votes cast will be required to pass an ordinary resolution, and a majority of at least two thirds of the votes cast will be required to pass a special resolution.

To the knowledge of our directors and executive officers, no person beneficially owns, directly or indirectly, or exercises control or direction over, shares carrying more than 10% of all voting rights as of September 15, 2016.

## **ELECTION OF DIRECTORS**

Our directors are elected at each annual general meeting and hold office until the next annual general meeting or until that person sooner ceases to be a director.

Unless you provide other instructions, the enclosed proxy will be voted for the nominees listed below. Management does not expect that any of the nominees will be unable to serve as a director. If before the Meeting any vacancies occur in the nominees listed below, the person named in the proxy will exercise his or her discretionary authority to vote the shares represented by the proxy for the election of any other person or persons as directors.

Management proposes to nominate the persons named in the table below for election as director. The information concerning the proposed nominees has been furnished by each of them:

Name, Province or State and Country of Residence and Present Office Held	Director Since	Number of Common Shares Beneficially Owned, Directly or Indirectly, or over which Control or Direction is Exercised <sup>(1)</sup>	Principal Occupation and, if Not Previously Elected, Principal Occupation during the Past Five Years <sup>(2)</sup>
<b>Terry Lynch</b> <sup>(3)</sup> Toronto, Ontario President and Director	June 20, 2012	1,949,500	Business Executive
<b>Greg McKenzie</b> Toronto, Ontario Nominee for Director	Nominee	Nil	Business Executive, Lawyer
<b>Peter Kent</b> Mississauga, Ontario Director	October 25, 2012	95,670 <sup>(4)</sup>	Retired Lawyer
<b>Patrick Cruickshank</b> <sup>(3)</sup> Toronto, Ontario CEO and Director	May 19, 2016	398,409	Business Executive
<b>Gary Lohman</b> Toronto, Ontario Director	May 19, 2016	1,195,229	Geologist
<b>Thomas Comfort</b> Round Rock, Texas Nominee for Director	Nominee	1,582,127	Business Executive

- (1) Includes common shares beneficially owned, directly or indirectly, over which control or direction is exercised, as at the date of this Information Circular. This information was obtained from the System for Electronic Disclosure (SEDI) website ([www.sedi.ca](http://www.sedi.ca)) or from the nominee (who is not yet an insider).
- (2) Unless otherwise stated below, any nominee named above not elected at the last annual general meeting, has held the principal occupation or employment indicated for at least 5 years.
- (3) Member of the Company's Audit Committee.
- (4) 12,500 of these common shares are held by Mr. Kent's spouse.

No proposed director of the Company is or has been, within the past 10 years, a director, CEO, CFO or officer of any company that:

- (a) was subject to a cease trade or similar order, or an order that denied the company access to any exemption under securities legislation for more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as director, CEO or CFO; or
- (b) was subject to an order that was issued after the proposed director ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO.

No proposed director of the Company is or has been, within the past 10 years, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, become bankrupt, made a proposal under any legislation relating to

bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

No proposed director of the Company has, within the past 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

Remuneration plays an important role in attracting, motivating, rewarding and retaining knowledgeable and skilled individuals to the Company's management team. The Company does not have a formal compensation policy. The main objectives the Company hopes to achieve through its compensation are:

- to attract and retain executives critical to the Company's success, who will be key in helping the Company achieve its corporate objectives and increase shareholder value;
- to motivate the Company's management team to meet or exceed targets;
- to recognize the contribution of the Company's directors, officers and consultants to the overall success and strategic growth of the Company; and
- to align the interests of management and the Company's shareholders by providing performance-based compensation and stock options.

The Company's Board determines an appropriate amount of compensation for its executives, reflecting the need to provide incentive and compensation for the time and effort expended by the executives while taking into account the financial and other resources of the Company. The Board did not consider the implications of the risks associated with the Company's compensation practices; however, given the Company's size and nature of compensation provided to its executives in the last financial year, the Board does not view significant risk that would be likely to have a material adverse effect on the Company.

The Company's management is not permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities of the Company granted as compensation or held, directly or indirectly, by management.

The board of directors determines the allocation and terms of any stock option grants. When granting stock options, the board of directors considers the amount of past options which have been granted.

### **Option-based Awards**

See "Compensation Discussion and Analysis" and "Particulars of Matters to be Acted On – Shareholder Approval of Stock Option Plan" for a description of the Company's stock option plan and the process the Company uses to grant options-based awards.

## Compensation Governance

The Company's Board determines an appropriate amount of compensation for its executives, reflecting the need to provide incentive and compensation for the time and effort expended by the executives while taking into account the financial and other resources of the Company. The Company does not have a compensation committee.

## Summary Compensation Table

The Company had two Named Executive Officers, as defined below, during the financial year ended December 31, 2015: Terry Lynch (President June 20, 2012 to September 24, 2012 and President and CEO October 25, 2012 to December 31, 2015) and Daniel Crandall (CFO June 11, 2014 to December 31, 2015).

The table below sets out particulars of compensation paid to the following executive officers (each of whom is a "**Named Executive Officer**") for services to the Company during the three most recently completed financial years:

- (i) the individual who acted as the Company's CEO or acted in a similar capacity for any part of the most recently completed financial year;
- (ii) the individual who acted as the Company's CFO or acted in a similar capacity for any part of the most recently completed financial year;
- (iii) each of the Company's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000; and
- (iv) each individual who would be an Named Executive Officer under paragraph (iii) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of that financial year.

The following table presented in accordance with National Instrument Form 51-102F6 *Statement of Executive Compensation* ("**Form 51-102F6**") below sets forth all compensation for services in all capacities to the Company for the three most recently completed financial years (to the extent required by Form 51-102F6) in respect of the CEO, President and the CFO as at December 31, 2013, 2014 and 2015.

Name and principal position	Year <sup>(1)</sup>	Salary (\$)	Share-based awards <sup>(2)</sup> (\$)	Option-based awards <sup>(3)</sup> (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$) <sup>(4)</sup>	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Terry Lynch President and former CEO <sup>(5)</sup>	2015	N/A	N/A	N/A	N/A	N/A	N/A	144,000 <sup>(6)</sup>	144,000
	2014	N/A	N/A	80,800	N/A	N/A	N/A	184,000 <sup>(6)</sup>	264,800
	2013	N/A	N/A	N/A	N/A	N/A	N/A	144,000 <sup>(6)</sup>	144,000
Daniel Crandall CFO	2015	N/A	N/A	N/A	N/A	N/A	N/A	51,964 <sup>(7)</sup>	51,964
	2014	N/A	N/A	12,120	N/A	N/A	N/A	31,425 <sup>(7)</sup>	43,545
	2013	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) Year ended December 31.

(2) The Company did not grant any share based awards.

(3) The fair value of the options granted has been estimated using the Black-Scholes option-pricing model with the following assumptions:

	2015	2014	2013
Risk-free rate	N/A	1.60%	N/A
Expected dividend yield	N/A	0%	N/A
Expected stock price volatility	N/A	169%	N/A
Expected life of options	N/A	5 years	N/A

Option pricing models require the input of highly subjective assumptions, particularly as to the expected volatility of the stock. Changes in these assumptions can materially affect the fair value estimate, and therefore it is management's view that the existing models may not provide a single reliable measure of the fair value of the Company's stock option grants. The Company uses an option-pricing model because there is no market for which employee options may be freely traded. Readers are cautioned not to assume that the value derived from the model is the value that an employee might receive if the options were freely traded, nor assume that these amounts are the same as those reported for income tax purposes.

(4) Perquisites and other personal benefits have not been included as they do not reach the prescribed threshold of the lesser of \$50,000 or 10% of the total annual salary.

(5) Mr. Terry Lynch resigned as CEO on March 29, 2016. Mr. Cruickshank is the current CEO effective March 29, 2016.

(6) This amounts, plus applicable HST, were paid to Punchcast Inc. for executive services provided to the Company. Punchcast Inc. is owned and controlled by Mr. Terry Lynch.

(7) This amounts, plus applicable HST, were paid to Marrelli Support Services Inc. for accounting and CFO services provided to the Company. Mr. Daniel Crandall is a senior employee of Marrelli Support Services Inc..

All compensation has been in the normal course of operations, and in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

### Incentive Plan Awards

The following table discloses the particulars for each Named Executive Officer all awards outstanding at the end of the most recently completed financial year (December 31, 2015):

**Outstanding share-based compensation and option-based awards**

<i>NEO Name</i>	<i>Option-based Awards</i>				<i>Share-based Awards</i>	
	<i>Number of securities underlying unexercised options (#)</i>	<i>Option exercise price (\$)</i>	<i>Option expiration date</i>	<i>Value of unexercised in-the-money options (\$)<sup>(1)</sup></i>	<i>Number of shares or units of shares that have not vested (#)</i>	<i>Market of payout value of share-based awards that have not vested (\$)</i>
Terry Lynch	800,000	0.25	June 11, 2019	N/A	N/A	N/A
Daniel Crandall	120,000	0.25	June 11, 2019	N/A	N/A	N/A

(1) The value of unexercised in-the-money options is \$Nil on December 31, 2015 as the Company's common shares were \$0.04 per share, less than each of the granted options exercise price.

**Incentive Plan Awards – value vested or earned during the year**

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year for each Named Executive Officer:

<i>Name</i>	<i>Option-based awards – Value vested during the year (\$)</i>	<i>Share-based awards – Value vested during the year (\$)</i>	<i>Non-equity incentive plan compensation – Value earned during the year (\$)</i>
Terry Lynch	Nil	N/A	N/A
Daniel Crandall	Nil	N/A	N/A

**Termination and Change of Control Benefits**

The Company does not have any plan or arrangement to pay or otherwise compensate any Named Executive Officer if his employment is terminated as a result of resignation, retirement, change of control, etc. or if his responsibilities change following a change of control.

**Director Compensation**

During the financial year ended December 31, 2015, the Company had 4 directors, one of which - Terry Lynch, was also a Named Executive Officer. For a description of the compensation paid to the Company's Named Executive Officers who also acted as directors, see "Summary Compensation Table" above.

The following table sets forth all compensation the Company paid or granted to the Company's directors, in their capacity as directors, or in relation to services provided by them to the Company, other than Named Executive Officer, for the most recently completed financial year:

<i>Name</i>	<i>Fees earned</i> <sup>(1)</sup> (\$)	<i>Share-based awards</i> (\$) <sup>(2)</sup>	<i>Option-based awards</i> (\$) <sup>(3)</sup>	<i>Non-equity incentive plan compensation</i> (\$)	<i>Pension value</i> (\$)	<i>All other compensation</i> (\$) <sup>(4)</sup>	<i>Total</i> (\$)
Ian Pirie	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Peter Kent	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dan Gosselin <sup>(5)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A

- (1) Represents all fees awarded, earned, paid or payable in cash for services as a director.
- (2) The Company did not grant any share-based awards.
- (3) The Company did not grant any option-based awards.
- (4) This includes compensation paid to the Company's directors for services provided to the Company. All fees have been in the normal course of operations, and in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.
- (5) Mr. Dan Gosselin resigned as a director May 19, 2016.

### **Narrative Discussion**

The Company currently does not pay directors who are not employees or officers of the Company for attending directors meetings or for serving on committees. The Company has no arrangements, standard for otherwise, pursuant to which directors are compensated by the Company for their services as directors, for committee participation, or for involvement in special assignments during the most recently completed financial year. None of the Company's directors have received any cash compensation for services provided in their capacity as directors during the Company's most recently completed financial year. Some Directors have from time to time however been engaged in a consulting capacity by the Company.

The Company has a stock option plan for the granting of incentive stock options to the officers, employees and Directors. The purpose of granting options is to assist the Company in compensating, attracting, retaining and motivating the Directors of the Company and to closely align the personal interests of such persons to that of the shareholders. The Company granted stock options to the Directors during the most recently completed financial year.

### **Share-based awards, option based awards and non-equity incentive plan compensation**

#### **Incentive Plan Awards**

The following table discloses the particulars for each director for awards outstanding at the end of the most recently completed financial year:

**Outstanding share-based awards and option-based awards**

<i>Name</i>	<i>Option –based awards</i>				<i>Share-based awards</i>	
	<i>Number of securities underlying unexercised options (#)</i>	<i>Option exercise price (\$)</i>	<i>Option expiration date</i>	<i>Value of unexercised in-the-money options (\$)<sup>(1)</sup></i>	<i>Number of share or units of shares that have not vested (#)</i>	<i>Market of payout value of share-based awards that have not vested (\$)</i>
Ian Pirie	240,000	0.25	June 11, 2019	N/A	N/A	N/A
Peter Kent	240,000	0.25	June 11, 2019	N/A	N/A	N/A
Dan Gosselin <sup>(2)</sup>	120,000	0.25	June 11, 2019	N/A	N/A	N/A

(1) The value of unexercised in-the-money options is \$Nil on December 31, 2015 as the Company’s common shares were \$0.04 per share, less than each of the granted options exercise price.

(2) Mr. Dan Gosselin resigned as a director May 19, 2016 and all options expired unexercised.

**Incentive Plan Awards – value vested or earned during the year**

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year for each director who was not also a Named Executive Officer:

<i>Name</i>	<i>Option-based awards – Value vested during the year (\$)<sup>(1)</sup></i>	<i>Share-based awards – Value vested during the year (\$)</i>	<i>Non-equity incentive plan compensation – Value earned during the year (\$)</i>
Ian Pirie	Nil	N/A	N/A
Peter Kent	Nil	N/A	N/A
Dan Gosselin	Nil	N/A	N/A

(1) The options were vested immediately on the date of grant and assumes that the vested options were exercised on the vesting date.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The Company has an incentive stock option plan under which stock options are granted. Stock options have been determined by the Company’s directors and are only granted in compliance with applicable laws and regulatory policy. The policies of the TSX Venture Exchange (“**Exchange**”) limit the granting of stock options to directors, officers, employees and bona fide consultants of the Company and provide limits on the length, number and exercise price of such options. The Exchange also requires annual approval of option plans by shareholders where the option plan is considered a “Rolling Plan” as set out under Exchange policies. The Company will propose that its option plan be ratified and approved by shareholders at the Meeting, as it is considered to be a “Rolling Plan”.

The following table sets out equity compensation plan information as at the end of the financial year ended December 31, 2015.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b> <b>(a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b> <b>(b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b> <b>(c)</b>
Equity compensation plans approved by security holders	1,880,000	\$0.25	639,337
Equity compensation plans not approved by security holders	N/A	N/A	N/A
<b>Total</b>	<b>1,880,000</b>	<b>\$0.25</b>	<b>639,337</b>

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

None of our directors or executive officers, proposed nominees for election as directors, or associates of any of them, is or has been indebted to the Company or our subsidiaries at any time since the beginning of the most recently completed financial year and no indebtedness remains outstanding as at the date of this Information Circular.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

No informed person of the Company, no proposed nominee for election as a director of the Company, and no associate or affiliate of any of these persons, has any material interest, direct or indirect, in any transaction since the commencement of our last financial year or in any proposed transaction, which, in either case, has materially affected or will materially affect the Company or any of our subsidiaries, other than as disclosed under the headings “Executive Compensation” and “Particulars of Matters to be Acted On”.

An “informed person” means:

- (a) a director or executive officer of the Company;
- (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company;
- (c) any person or company who beneficially owns, directly or indirectly, our voting securities or who exercises control or direction over our voting securities or a combination of both carrying more than 10 percent of the voting rights attached to all our outstanding voting securities other than voting securities held by the person or company as underwriter in the course of a distribution; and
- (d) the Company if we have purchased, redeemed or otherwise acquired any of our securities, so long as we hold any of our securities.

## **AUDIT COMMITTEE**

Under this heading, the Company is including the disclosure required by Form 52-110F2 of National Instrument 52-110 *Audit Committees* (“NI 52-110”).

## **Audit Committee Charter**

The Audit Committee Charter was adopted by the Company's Audit Committee and the Board of Directors. The text of the Audit Committee Charter was attached as Schedule "A" to the Company's information circular dated April 1, 2015 for a previous annual general meeting of shareholders, and can be viewed under the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## **Composition of the Audit Committee**

As of September 15, 2016 the following are the members of the Audit Committee:

Terry Lynch	Not Independent <sup>(1)</sup>	Financially Literate <sup>(1)</sup>
Ian Pirie	Independent <sup>(1)</sup>	Financially Literate <sup>(1)</sup>
Patrick Cruickshank	Not Independent <sup>(1)</sup>	Financially Literate <sup>(1)</sup>

(1) As that term is defined in NI 52-110.

## **Relevant Education and Experience**

The educational background or experience of the following audit committee members has enabled each to perform his responsibilities as an Audit Committee member and has provided the member with an understanding of the accounting principles used by the Company to prepare its financial statements, the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves as well as experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities and an understanding of internal controls and procedures for financial reporting.

### **Terry Lynch**

Terry Lynch is a graduate from St. Francis Xavier University in 1981 with a joint honours degree in Economics and Bachelor of Business Administration. He has also previously held various senior management and director positions at Firstgold Corp. (reporting issuer) and Relief Gold Corp.

### **Ian Pirie**

Ian Pirie is Professional Geoscientist registered in British Columbia. He has over 33 years of industry experience, 31 of these with Inmet Mining Corporation and its predecessor companies in various management roles. He is financially literate and capable of reading and analyzing financial statements.

### **Patrick Cruickshank**

Patrick Cruickshank, MBA served for many years in the financial sector including ten years as an advisor to National Football League Players Association members. He is also currently President and CEO of Coganov Inc., an early-stage resource company with projects in Nova Scotia.

## **Audit Committee Oversight**

At no time since the beginning of our most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by our Board of Directors.

### Reliance on Certain Exemptions

At no time since the commencement of our most recently completed financial year have we relied on the exemption in section 2.4 (*De Minimis Non-audit Services*) of NI 52-110 (which exempts all non-audit services provided by the Company's auditor from the requirement to be pre-approved by the Audit Committee if such services are less than 5% of the auditor's annual fees charged to the Company, are not recognized as non-audit services at the time of the engagement of the auditor to perform them and are subsequently approved by the Audit Committee prior to the completion of that year's audit), the exemption in subsection 6.1.1(4) (*Circumstance Affecting the Business or Operations of the Venture Issuer*), the exemption in subsection 6.1.1(5) (*Events Outside of Control of Member*), or an exemption from NI 52-110, in whole or in part, granted by a securities regulator under Part 8 (*Exemptions*) of NI 52-110.

The Company did rely on the exemption in subsection 6.1.1(6) (*Death, Incapacity or Resignation*). Following the resignation of a director in May 2016, Patrick Cruickshank was appointed to the audit committee, which now contains a majority of members who are executive officers. Following the Meeting, the Company will re-constitute its audit committee to be in compliance with section 6.1.1 of NI 52-110.

### Pre-Approval Policies and Procedures

The Audit Committee must pre-approve all non-audit services to be provided to the Company by the Company's external auditor. Aside from the above, the Audit Committee has not adopted any other specific policies and procedures for engaging of non-audit services under the Company's Audit Committee Charter.

### External Auditor Service Fees (By Category)

The table below sets out all fees billed by our external auditor in each of the last two financial years. In the table "Audit Fees" are fees billed by our external auditor for services provided in auditing our financial statements for the financial year. "Audit-Related Fees" are fees not included in Audit Fees that are billed by the auditor for assurance and related services that are reasonably related to performing the audit or reviewing our financial statements. "Tax Fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. "All Other Fees" are fees billed by the auditor for products and services not included in the previous categories.

Financial Year Ending	Audit Fees/ Audit-Related Fees	Tax Fees	All Other Fees
December 31, 2015	\$12,500	\$1,750	\$Nil
December 31, 2014	\$13,500	\$1,500	\$Nil

### Exemption

We are relying upon the exemption in section 6.1 of NI 52-110, which exempts issuers whose shares are listed only on the Exchange from the requirements of Part 3 (*Composition of Audit Committee*) and Part 5 (*Reporting Obligations*).

## APPOINTMENT OF AUDITOR

Our Audit Committee recommends the re-appointment of McGovern Hurley Cunningham LLP, Chartered Accountants, of Toronto, Ontario, as our auditor to hold office until our next annual general meeting.

McGovern Hurley Cunningham LLP, Chartered Accountants was first appointed our auditor in March 2015. We propose that the Board of Directors be authorized to set the remuneration to be paid to the auditor. Unless otherwise instructed, the proxies solicited by management will be voted for the appointment of McGovern Hurley Cunningham LLP, Chartered Accountants, as our auditor.

## **CORPORATE GOVERNANCE**

The following is the disclosure we are required to provide under National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

### **Board of Directors**

The Board of Directors facilitates its independent supervision over management through regular meetings of the Board, both with and without members of the Company's management (including members of management who are also directors) being in attendance.

Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A "material relationship" is a relationship which could, in the view of the Company's Board of Directors, be reasonably expected to interfere with the exercise of a director's independent judgment.

As of the date of this Information Circular, the independent members of the Board of Directors are Peter Kent and Ian Pirie. The non-independent directors are Terry Lynch (President), Patrick Cruickshank (CEO) and Gary Lohman (VP Exploration).

The mandate of the Board, as prescribed by the *Business Corporations Act* (British Columbia), is to manage or supervise management of our business and affairs and to act with a view to the best interests of the Company. In doing so, the Board oversees the management of our affairs directly.

### **Directorships**

Certain of the directors and officers, and the nominee-directors of the Company are also directors and/or officers of other reporting issuers (or equivalent in a foreign jurisdiction) as follows:

<b>Name of Director/Officer</b>	<b>Other Reporting Issuer (or equivalent in a foreign jurisdiction)</b>
Terry Lynch	N/A
Ian Pirie	N/A
Peter Kent	N/A
Patrick Cruickshank	N/A
Gary Lohman	N/A
Greg McKenzie	N/A
Thomas Comfort	N/A

### **Orientation and Continuing Education**

The Board of Directors is responsible for providing orientation for all new recruits to the Board. Each new director brings a different skill set and professional background, and with this information, the Board is able to determine what orientation to the nature and operations of the Company's business will be necessary and relevant to each new director. We provide continuing education for our directors as the

need arises and encourages open discussion at all meetings, which format encourages learning by the directors.

### **Ethical Business Conduct**

The Board of Directors relies on the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law to ensure the Board operates independently of management and in the best interests of the Company. The Board of Directors has found that these, combined with the restrictions placed by applicable corporate legislation on an individual directors' participation in decisions of the Board in which the director has an interest, have been sufficient.

### **Nomination of Directors**

The Board of Directors considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders. The Board takes into account the number required to carry out the Board's duties effectively and to maintain a diversity of views and experience.

The Board of Directors does not have a nominating committee. The Board of Directors is responsible for recruiting new members to the Board and planning for the succession of Board members.

### **Compensation**

The Board of Directors is responsible for determining all forms of compensation, including long-term incentive in the form of stock options, to be granted to the CEO of the Company and the directors, and for reviewing the CEO's recommendations respecting compensation of the other officers of the Company, to ensure such arrangements reflect the responsibilities and risks associated with each position. Please see above under "Executive Compensation – Compensation Discussion and Analysis" for further information.

### **Other Board Committees**

The Board of Directors does not have any committees other than the Audit Committee.

### **Assessments**

The Board annually reviews its own performance and effectiveness as well as reviews the Audit Committee Charter and recommends revisions as necessary. Neither the Company nor the Board has adopted formal procedures to regularly assess the Board, the Audit Committee or the individual directors as to their effectiveness and contribution. Effectiveness is subjectively measured by comparing actual corporate results in prevailing industry and market climate conditions with stated objectives. The contributions of individual directors are informally monitored by the other Board members, bearing in mind the business strengths of the individual and the purpose of originally nominating the individual to the Board.

The Board of Directors monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board.

The Board believes its corporate governance practices are appropriate and effective for the Company, given our size and operations. Our corporate governance practices allow the Company to operate efficiently, with checks and balances that control and monitor management and corporate functions without excessive administrative burden.

## **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED ON**

No informed person of the Company, proposed nominee for election as a director of the Company, or associate or affiliate of any of these persons, has any material interest, direct or indirect, in any transaction since the beginning of our last financial year or in any proposed transaction, which has materially affected or will materially affect the Company or any of our subsidiaries, other than as disclosed under the headings “Executive Compensation” and “Particulars of Matters to be Acted On”.

## **PARTICULARS OF MATTERS TO BE ACTED ON**

### **Shareholder Approval of Stock Option Plan**

In accordance with Policy 4.4 of the Exchange, Stock Option Plans which are “Rolling Plans” must receive shareholder approval yearly. The Company established its existing Stock Option Plan October 25, 2012. The Company is therefore seeking shareholder approval of the Company’s stock option plan (the “Plan”) which reserves a maximum of 10% of the issued shares of the Company at the time of any stock option grant (this feature constitutes the “rolling aspect” as noted below). The purpose of the Plan is to provide incentives to employees, directors, officers, and consultants who provide services to the Company and to influence the cash compensation the Company would otherwise have to pay.

The Plan complies with the current policies of the Exchange. Under the Plan, a maximum of 10% of the issued and outstanding common shares of the Company are proposed to be reserved at any time for issuance on the exercise of stock options. Since the number of common shares reserved for issuance under the Plan increases with the issue of additional common shares of the Company, the Plan is considered to be a “Rolling Plan”.

Management is seeking shareholder approval for the Plan in accordance with and subject to the rules and policies of the Exchange.

### **Terms of the Plan**

A full copy of the Plan will be available at the Meeting for review by shareholders. Shareholders may also obtain copies of the Plan from the Company prior to the Meeting on written request. The following is a summary of the material terms of the Plan.

The Plan provides that the Company’s Board of Directors may from time to time, in its discretion, and in accordance with the Exchange’s requirements, grant to directors, officers and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance does not exceed 10% of the common shares of the Company at the time of the stock option grant. Individual stock option grants must comply with the terms of the Plan and the policies of the Exchange as they relate to the minimum exercise price, hold periods, vesting and filing requirements.

The Plan provides that:

- (a) options will be non-assignable and non-transferable except that they will be exercisable by the personal representative of the option holder in the event of the option holder’s death, if exercised within one year of the optionee’s death;
- (b) options may be exercisable for a maximum of 10 years from the date of grant;

- (c) options to acquire no more than 5% of the issued common shares of the Company may be granted to any one individual in any 12 month period;
- (d) options to acquire no more than 2% of the issued common shares of the Company may be granted to any one consultant in any 12 month period;
- (e) options to acquire no more than an aggregate of 2% of the issued common shares of the Company may be granted to persons retained to conduct Investor Relations Activities (as defined in Exchange Policy 1.1), in any 12 month period;
- (f) disinterested shareholder approval must be obtained for any reduction in the exercise price if the optionee is an insider of the Company at the time of the proposed amendment;
- (g) for stock options granted to Employees, Consultants or Management Company Employees (as defined in Exchange Policy 4.4), the Company represents that the optionee is a bona fide Employee, Consultant or Management Company Employee, as the case may be; and
- (h) for stock options granted to any optionee who is a Director, Employee, Consultant or Management Company Employee, the option must expire within a reasonable period following the date the option holder ceases to be a Director, Employee, Consultant or Management Company Employee.

The Company may grant options provided that the number of common shares reserved for issuance does not exceed 10% of the common shares of the Company at the time of the stock option grant.

Our directors believe that the Plan is in the Company's best interests and recommend that the shareholders approve the Plan. Accordingly, the shareholders will be asked to consider and, if thought fit, pass the following ordinary resolution:

**"IT IS RESOLVED, as an ordinary resolution** that subject to TSX Venture Exchange (the "**Exchange**") approval:

1. The Company adopt and confirm its existing stock option plan (the "**Plan**"), including the reserving for issuance under the Plan at any time of a maximum of 10% of the issued common shares of the Company;
2. The Company is authorized to grant stock options under the Plan, in accordance with its terms;
3. The Company is authorized to prepare such disclosure documents and make such submissions and filings as the Company may be required to make with the Exchange to obtain Exchange acceptance of the Plan; and
4. Authority is granted to the Board of Directors of the Company to make such amendments to the Plan as are required by the Exchange to obtain Exchange acceptance of the Plan."

**It is the intention of the persons named in the accompanying Proxy, if not expressly directed to the contrary in such Proxy, to vote such proxies FOR the ordinary resolution authorizing the Company's stock option plan.**

## **OTHER BUSINESS**

Management is not aware of any other matter to come before the Meeting other than as set forth in the Notice of Meeting. If any other matter properly comes before the Meeting, the persons named in the enclosed form of proxy intend to vote the shares represented thereby in accordance with their best judgement on that matter.

## **ADDITIONAL INFORMATION**

Additional information about the Company is located on SEDAR at [www.sedar.com](http://www.sedar.com). The financial statements and Management's Discussion and Analysis are also available on SEDAR. Shareholders may request copies of our financial statements and Management's Discussion and Analysis by writing to the CFO, Daniel Crandall, at the following address:

**CHILEAN METALS INC.**  
**Suite #206 - 490 Adelaide St. W.**  
**Toronto, Ontario**  
**M5V 1T2**

BY ORDER OF THE BOARD

**CHILEAN METALS INC.**

*(signed) "Patrick Cruickshank"*

Patrick Cruickshank, CEO and Director