CHILEAN METALS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

Chilean Metals Inc.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	As at September 30, 2016	As at December 31, 2015
ASSETS		
Current assets		
Cash	$ **161,274**	$ 456
Amounts receivable	**59,371**	7,709
Advances, prepaid expenses and deposits	**85,731**	4,031
Total current assets	**306,376**	12,196
Non-current assets		
Equipment (note 4)	**9,492**	12,249
Mineral exploration properties (note 5)	**5,983,462**	4,897,865
Total assets	$ **6,299,330**	$ 4,922,310
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 11(a)(vii) and 13)	$ **825,385**	$ 730,683
Advances from related party	**-**	54,000
Loans payable (note 6(a))	**-**	94,000
Deferred transaction advance (note 14)	**50,000**	50,000
Debentures payable (note 6)	**173,308**	273,514
Total current liabilities	**1,048,693**	1,202,197
Non-current liabilities		
Debentures payable (note 6)	**93,386**	-
Total liabilities	**1,142,079**	1,202,197
Shareholders' equity		
Issued capital (note 7)	**50,028,320**	48,385,997
Shares to be issued (note 15)	**618,348**	-
Contributed surplus	**3,707,626**	3,392,781
Warrants (note 9)	**101,994**	72,898
Deficit	**(49,299,037)**	(48,131,563)
Total shareholders' equity	**5,157,251**	3,720,113
Total equity and liabilities	$ **6,299,330**	$ 4,922,310

Nature of operations and going concern (note 1)
Commitments and contingencies (note 13)
Subsequent events (notes 14 and 15)

On behalf of the Board:

(Signed) *Terry Lynch*
Terry Lynch, Director

(Signed) *Peter Kent*
Peter Kent, Director

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

Chilean Metals Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Administrative expenses				
Administration fees (note 11)	**$ 120,579**	$ 42,617	**$ 426,421**	$ 141,180
Amortization (note 4)	**919**	1,313	**2,757**	3,937
Bank and interest charges (note 6)	**35,611**	23,528	**117,031**	47,828
Foreign exchange loss (gain)	**6,999**	(18,458)	**22,901**	(1,265)
Investor relations	**24,587**	1,474	**48,107**	10,224
Office and miscellaneous	**37,826**	40,604	**107,388**	120,521
Professional fees (note 11)	**34,264**	20,855	**79,597**	59,280
Share-based payments (notes 8 and 11)	**96,605**	-	**314,845**	-
Transfer agent and regulatory	**9,179**	5,360	**27,382**	25,949
Travel, promotion and mining shows	**9,706**	415	**21,045**	9,032
Net loss and comprehensive loss for the period	**$ (376,275)**	**$ (117,708)**	**$ (1,167,474)**	$ (416,686)
Basic and diluted net loss per share (note 10)	**$ (0.01)**	**$ (0.00)**	**$ (0.03)**	$ (0.02)
Weighted average number of common shares outstanding - basic and diluted (note 10)	**43,952,087**	25,193,375	**33,886,993**	25,004,364

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

Chilean Metals Inc.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Operating activities		
Net loss for the period	**$ (1,167,474)**	$ (416,686)
Items not affecting cash:		
Amortization	**2,757**	3,937
Share-based payments	**314,845**	-
Accrued interest	**94,039**	18,571
Non-cash working capital items:		
Amounts receivable	**(51,662)**	18,452
Advances, prepaid expenses and deposits	**(81,700)**	11,494
Accounts payable and accrued liabilities	**94,702**	186,188
Net cash used in operating activities	**(794,493)**	(178,044)
Financing activities		
Proceeds on private placement, net of issuance costs	**671,810**	-
Shares to be issued	**618,348**	-
Advance from Cogonov	**-**	25,000
Repayment of advance from related party	**(54,000)**	-
Repayment of debentures	**(30,000)**	-
Loan repayments	**(94,000)**	-
Issuance of debentures, net of issuance costs	**148,750**	301,673
Net cash provided by financing activities	**1,260,908**	326,673
Investing activities		
Acquisition of and expenditures on mineral exploration properties	**(305,597)**	(213,939)
Net cash used in investing activities	**(305,597)**	(213,939)
Net change in cash	**160,818**	(65,310)
Cash, beginning of period	**456**	70,255
Cash, end of period	**$ 161,274**	$ 4,945
Supplemental disclosures		
Common shares issued for property interest	**$ 780,000**	$ 27,000

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

Chilean Metals Inc.

Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Common Shares						
	Number	Amount	Shares to be Issued	Contributed Surplus	Warrants	Deficit	Total
Balance, December 31, 2014	**24,593,374**	**$ 48,358,997**	**$ -**	**$ 3,392,781**	**$ -**	**$ (47,524,939)**	**$ 4,226,839**
Shares issued for mineral exploration properties	600,000	27,000	-	-	-	-	27,000
Warrants issued on debentures	-	-	-	-	72,898	-	72,898
Net comprehensive loss for the period	-	-	-	-	-	(416,686)	(416,686)
Balance, September 30, 2015	**25,193,374**	**$ 48,385,997**	**$ -**	**$ 3,392,781**	**$ 72,898**	**$ (47,941,625)**	**$ 3,910,051**
Balance, December 31, 2015	**25,193,374**	**$ 48,385,997**	**$ -**	**$ 3,392,781**	**$ 72,898**	**$ (48,131,563)**	**$ 3,720,113**
Private placement	10,000,000	700,000	618,348	-	-	-	1,318,348
Share issuance cost	-	(47,445)	-	-	19,255	-	(28,190)
Share-based payments	-	-	-	314,845	-	-	314,845
Shares issued for mineral exploration properties	6,000,000	780,000	-	-	-	-	780,000
Warrants issued on debentures	-	-	-	-	78,101	-	78,101
Exercise of warrants	2,807,260	141,508	-	-	-	-	141,508
Fair value of warrants exercised	-	68,260	-	-	(68,260)	-	-
Net comprehensive loss for the period	-	-	-	-	-	(1,167,474)	(1,167,474)
Balance, September 30, 2016	**44,000,634**	**$ 50,028,320**	**$ 618,348**	**$ 3,707,626**	**$ 101,994**	**$ (49,299,037)**	**$ 5,157,251**

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

1. Nature of operations and going concern

Chilean Metals Inc. (the “Company”) is a mining exploration company and is in the business of acquiring and exploring mineral properties in Chile and Nova Scotia. There has been no determination whether properties held contain ore reserves, which are economically recoverable.

The Company is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”), OTCQB and Santiago Stock Exchange, Venture Market. The head office and principal address of the Company are located at Suite 206 - 490 Adelaide Street West, Toronto, Ontario, Canada, M5V 1T2. The Company’s registered and records office address is at Suite 700 – 595 Burrard Street, PO Box 49290, Vancouver, British Columbia, Canada, V7X 1S8.

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

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

These unaudited condensed consolidated interim financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. These unaudited condensed consolidated interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. During the three and nine months ended September 30, 2016, the Company incurred a net loss of $376,275 and $1,167,474, respectively (three and nine months ended September 30, 2015 - $117,708 and $416,686, respectively). As at September 30, 2016, the Company has incurred significant losses since inception totaling $49,299,037 (December 31, 2015 - $48,131,563). As at September 30, 2016, the Company has a working capital deficiency of $742,317 (December 31, 2015 - $1,190,001); the continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that additional funds will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company’s ability to continue as a going concern and accordingly use accounting principles applicable to a going concern.

2. Basis of presentation

These unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2016, including comparatives, have been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’. These unaudited condensed consolidated interim financial statements may not include all information and note disclosures required by IFRS for annual financial statements and therefore, should be read in conjunction with the annual audited financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS.

These unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2016 were approved and authorized for issue by the Company’s Board of Directors on November 29, 2016.

2. Basis of presentation (continued)

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis under the historical cost convention, except for the revaluation of certain financial instruments. In addition, these unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. Significant accounting policies

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRSs issued and outstanding as of November 29, 2016, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2015, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2016 could result in restatement of these unaudited condensed consolidated interim financial statements.

Change in accounting policies

The Company adopted the following accounting pronouncements during the period.

(i) IAS 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. At January 1, 2016, the Company adopted these amendments and there was no material impact on the Company's unaudited condensed consolidated interim financial statements.

Recent accounting pronouncements

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods on or after January 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IFRS 9 - Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

(ii) IFRS 16, Leases ("IFRS 16") was issued in January 2016, and supersedes IAS 17, Leases. This standard introduces a single lessee accounting model. The new standard will affect the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position, including for most leases which are currently accounted for as operating leases. The Standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted.

(Expressed in Canadian Dollars)

4. Equipment

Cost

	Field equipment	Furniture and office equipment	Total
Balance, December 31, 2014	**$ 83,278**	**$ 123,676**	**$ 206,954**
Balance, December 31, 2015	**83,278**	**123,676**	**206,954**
Balance, September 30, 2016	**$ 83,278**	**$ 123,676**	**$ 206,954**

Accumulated amortization

	Field equipment	Furniture and office equipment	Total
Balance, December 31, 2014	**$ 75,129**	**$ 114,326**	**$ 189,455**
Amortization	2,445	2,805	5,250
Balance, December 31, 2015	**77,574**	**117,131**	**194,705**
Amortization	1,284	1,473	2,757
Balance, September 30, 2016	**$ 78,858**	**$ 118,604**	**$ 197,462**

Net book value

	Field equipment	Furniture and office equipment	Total
At December 31, 2015	**$ 5,704**	**$ 6,545**	**$ 12,249**
At September 30, 2016	**$ 4,420**	**$ 5,072**	**$ 9,492**

5. Mineral exploration properties

	Tierra de Oro (b)	Zulema (c)	Nova Scotia (d, h)	Other (e - g)	Total
Balance, December 31, 2014	**$ 4,460,483**	**$ 57,304**	**$ -**	**$ 48,587**	**$ 4,566,374**
Acquisition and staking	-	90,732	-	-	90,732
Exploration					
Project management	-	14,433	-	-	14,433
Claim costs	108,969	117,357	-	-	226,326
Exploration and acquisition costs 2015	108,969	222,522	-	-	331,491
Balance, December 31, 2015	**4,569,452**	**279,826**	**-**	**48,587**	**4,897,865**
Acquisition and staking	-	1,920	794,300	-	796,220
Exploration					
Field costs	-	1,593	-	-	1,593
Geological	-	56,819	-	-	56,819
Project management	-	9,647	2,530	-	12,177
Technical Report	-	-	21,529	-	21,529
Claim costs	99,666	97,593	-	-	197,259
Exploration and acquisition costs 2016	99,666	167,572	818,359	-	1,085,597
Balance, September 30, 2016	**$ 4,669,118**	**$ 447,398**	**$ 818,359**	**$ 48,587**	**$ 5,983,462**

5. Mineral properties (continued)

(a) Copaquire Property, Chile

The Company holds a 3% net smelter royalty ("NSR") on the Copaquire Property previously sold to Teck Resources Chile Ltda. ("Teck"), a subsidiary of Teck Resources Limited. Teck has the option to buy back 1% of the NSR for US$3 million at any time.

(b) Tierra de Oro, Chile

The Company owns a 100% interest in exploration concessions in Region III, Chile.

(c) Zulema aka. Chicharra Property, Chile

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

In October 2014, the Company completed the acquisition of nine mining concessions from Compañia Minera Casale, a company jointly owned by Chilean subsidiaries of Barrick Gold Corp. and Kinross Gold Corporation, respectively, for the sum of US$50,000 ($56,569).

In March 2015, the Company completed the acquisition of three mining concessions from private Chilean owners. Under the terms of the agreement, the Company paid the vendors US$50,000 ($60,703) in cash and issued 600,000 shares (valued at $27,000).

(d) Fox River Property, Canada

In June 2016, completed the acquisition of the Fox River Property through the issuance of 6,000,000 shares (valued at $780,000). The Fox River Project is located in the western Cobequid Highlands in Nova Scotia, Canada.

(e) Hornitos Property, Chile

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

(f) Palo Negro Property, Chile

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

(g) Tabaco, Chile

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

(h) Lynn, Parrsboro and Bass River Properties, Canada

Subsequent to September 30, 2016, the Company completed the acquisition of the Lynn, Parrsboro and Bass River Properties (see note 14).

6. Debentures and loans

(a) On May 31, 2014, the Company entered into a loan agreement for the $94,000 to be repaid on May 31, 2015. The loan bears interest at 12% per annum with the interest prepaid. During the nine months ended September 30, 2016, the Company repaid the loan.

(b) On March 26, 2015, the Company issued $190,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% net smelter royalty ("NSR") (see note 5(a)) and October 31, 2016. As part of the issuance, the Company paid an origination fee of $26,600. The debentures could be repaid prior to July 1, 2015 by paying a bonus of 20% of the principal. As the debentures were not repaid as of July 1, 2015, the Company was required to issue 1,900,000 warrants, exercisable at a price of $0.05 per share until October 31, 2016 (see note 9). 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. (“IPBX”), that holds the Copaquire NSR.

During the nine months ended September 30, 2016, $95,000 of the debenture principal was converted to exercise the 1,900,000 warrants. Subsequent to September 30, 2016, the remaining principal and accrued interest were settled for common shares of the Company (see note 15).

The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 30%, being management’s best estimate of the rate that an unsecured debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 1.34 years expected average life; 143% expected volatility; risk-free interest rate of 0.61%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life. Based on this calculation, the liability component is $144,832 ($114,094 net of transaction costs), the equity component is $45,168 (reclassified to warrants on warrant issuance) and the right to acquire the Copaquire NSR is valued at $nil. Accretion charges attributable to the debenture for the nine months ended September 30, 2016 were $46,491. This amount is added to the liability component and is included in bank and interest charges.

(c) On April 22, 2015, the Company issued $40,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% NSR (see note 5(a)) and October 31, 2016. The debentures could be repaid prior to July 1, 2015 by paying a bonus of 20% of the principal. As the debentures were not repaid as of July 1, 2015, the Company was required to issue 400,000 warrants, exercisable at a price of $0.05 per share until October 31, 2016 (see note 9). On November 1, 2016, if the debentures are not repaid in full plus a bonus of 100% of the principal, the holders shall have the right to acquire $40,000/US$1,000,000 percent of the Copaquire NSR. The debenture is secured by the shares of the Company's subsidiary, IPBX, that contains the Copaquire NSR.

Subsequent to September 30, 2016, $20,000 of the debenture principal was converted to exercise the 400,000 warrants and the remaining principal and accrued interest were settled for common shares of the Company (see note 15).

The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 30%, being management’s best estimate of the rate that a non-secured debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 1.34 years expected average life; 185% expected volatility; risk-free interest rate of 0.69%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life. Based on this calculation, the liability component is $29,660 ($29,410 net of transaction costs), the equity component is $10,340 (reclassified to warrants on warrant issuance) and the right to acquire the Copaquire NSR is valued at $nil. Accretion charges attributable to the debenture for the nine months ended September 30, 2016 were $10,278. This amount is added to the liability component and is included in bank and interest charges.

6. Debentures and loans (continued)

(d) On May 5, 2015, the Company issued $60,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% NSR (see note 5(a)) and October 31, 2016. As part of the issuance, the Company paid a brokerage fee of $3,600. The debentures could be repaid prior to July 1, 2015 by paying a bonus of 20% of the principal. As the debentures were not repaid as of July 1, 2015, the Company was required to issue 600,000 warrants, exercisable at a price of $0.05 per share until October 31, 2016 (see note 9). On November 1, 2016, if the debentures are not repaid in full plus a bonus of 100% of the principal, the holders shall have the right to acquire $60,000/US$1,000,000 percent of the Copaquire NSR. The debenture is secured by the shares of the Company's subsidiary, IPBX, that contains the Copaquire NSR.

During the nine months ended September 30, 2016, $30,000 of the debenture principal was converted to exercise the 600,000 warrants and the remaining principal and interest was repaid.

The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 30%, being management's best estimate of the rate that a non-secured debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 1.34 years expected average life; 176% expected volatility; risk-free interest rate of 0.73%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life. Based on this calculation, the liability component is $44,933 ($40,958 net of transaction costs), the equity component is $15,067 (reclassified to warrants on warrant issuance) and the right to acquire the Copaquire NSR is valued at $nil. Accretion charges attributable to the debenture for the nine months ended September 30, 2016 were $15,966. This amount is added to the liability component and is included in bank and interest charges.

(e) On August 26, 2015, the Company issued $25,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% NSR (see note 5(a)) and October 31, 2016. As part of the debentures, the Company was required to issue 250,000 warrants, exercisable at a price of $0.05 per share until October 31, 2016 (see note 9). On November 1, 2016, if the debentures are not repaid in full plus a bonus of 100% of the principal, the holders shall have the right to acquire $25,000/US$1,000,000 percent of the Copaquire NSR. The debenture is secured by the shares of the Company's subsidiary, IPBX, that contains the Copaquire NSR.

During the nine months ended September 30, 2016, $12,500 of the debenture principal was converted to exercise the 250,000 warrants. Subsequent to September 30, 2016, the remaining principal and accrued interest were settled for common shares of the Company (see note 15).

The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 30%, being management's best estimate of the rate that a non-secured debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 1.18 years expected average life; 168% expected volatility; risk-free interest rate of 0.39%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life. Based on this calculation, the liability component is $22,677 ($21,531 net of transaction costs), the equity component is $2,323 (reclassified to warrants on warrant issuance) and the right to acquire the Copaquire NSR is $nil. Accretion charges attributable to the debenture for the nine months ended September 30, 2016 were $3,212. This amount is added to the liability component and is included in bank and interest charges.

(f) On May 11, 2016, the Company issued $150,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% NSR (see note 5(a)) and October 31, 2018. The Company was required to issue 1,500,000 warrants, exercisable at a price of $0.12 per share until October 31, 2018 (see note 9). On November 1, 2018, if the debentures are not repaid in full, the holders shall have the right to acquire $150,000/US$1,000,000 percent of the Copaquire NSR. The debenture is secured by the shares of the Company's subsidiary, IPBX, that contains the Copaquire NSR.

(Expressed in Canadian Dollars)

6. Debentures and loans (continued)

(f) (continued) The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 30%, being management's best estimate of the rate that a non-secured debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 2.47 years expected average life; 149% expected volatility; risk-free interest rate of 0.53%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life. Based on this calculation, the liability component is $71,889 ($70,649 net of transaction costs), the equity component is $78,101 (recorded in warrants) and the right to acquire the Copaquire NSR is valued at $nil. Accretion charges attributable to the debenture for the nine months ended September 30, 2016 were $22,737. This amount is added to the liability component and is included in bank and interest charges.

7. Issued capital

a) Authorized share capital

At September 30, 2016, the authorized share capital consisted of an unlimited number of common shares, non-voting Class A preference shares with a par value of $1.00 and Class B preference shares with a par value of $5.00. The common shares do not have a par value.

b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2014	**24,593,374**	**$ 48,358,997**
Shares issued for mineral exploration properties (note 5(c))	600,000	27,000
Balance, September 30, 2015	**25,193,374**	**$ 48,385,997**
Balance, December 31, 2015	**25,193,374**	**$ 48,385,997**
Private placement (i)	10,000,000	700,000
Share issuance costs (i)	-	(47,445)
Shares issued for mineral exploration properties (note 5(d))	6,000,000	780,000
Exercise of warrants (note 9)	2,807,260	141,508
Fair value of warrants exercised (note 9)	-	68,260
Balance, September 30, 2016	**44,000,634**	**$ 50,028,320**

(i) On May 17, 2016, the Company completed a non-brokered private placement of 10,000,000 common shares at $0.07 per share for aggregated gross proceeds of $700,000. In connection with the financing, the Company paid finder's fees of $18,645 and issued finders' warrants of 216,350 entitling the holder to acquire 216,350 common shares at a price of $0.07 per share until June 1, 2017. All securities issued are subject to the standard four month hold period.

The 216,350 warrants were assigned a fair value of $19,255 using the Black-Scholes option-pricing model. The following weighted average assumptions were used: risk free interest rate – 1.11%; expected volatility – 184% (which is based on historical volatility of the Company's share price); dividend yield - nil; expected life - 1 year.

(Expressed in Canadian Dollars)

8. Stock options

The Company has implemented a stock option plan ("the Plan") to be administered by the Board of Directors. Pursuant to the Plan the Board of Director's has discretion to grant options for up to a maximum of 10% of the issued and outstanding common shares of the Company at the date the options are granted. The option price under each option shall be not less than the discounted market price on the grant date. The expiry date of an option shall be set by the Board of Directors at the time the option is awarded, and shall not be more than ten years after the grant date. Options granted to directors, employees and consultants, other than consultants engaged in investor relations activities, will vest immediately upon granting, unless otherwise approved by the relevant regulatory authorities. Options granted to employees and consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three-month period.

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

	Number of stock options	Weighted average exercise price ($)
Balance, December 31, 2014	**2,170,000**	**0.32**
Expired	(290,000)	0.81
Balance, September 30, 2015	**1,880,000**	**0.25**
Balance, December 31, 2015	**1,880,000**	**0.25**
Expired	(240,000)	0.25
Granted (i), (ii), (iii), (iv)	2,360,000	0.12
Balance, September 30, 2016	**4,000,000**	**0.17**

(i) On May 27, 2016, the Company granted stock options to certain members of management of the Company for the purchase of a total of 1,600,000 common shares. The options are exercisable for a period of five years at an exercise price of $0.09 per share and vested immediately. The fair value of these options at the date of grant was estimated at $218,240 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate – 0.78%; expected volatility – 190% (which is based on historical volatility of the Company's share price); dividend yield - nil; expected life - 5 years.

(ii) On July 4, 2016, the Company granted stock options to a consultant of the Company for the purchase of a total of 200,000 common shares. The options are exercisable for a period of five years at an exercise price of $0.15 per share and vest 1/4 every 3 months. The fair value of these options at the date of grant was estimated at $29,020 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate – 0.56%; expected volatility – 191% (which is based on historical volatility of the Company's share price); dividend yield - nil; expected life - 5 years.

(iii) On July 4, 2016, the Company granted stock options to a consultant of the Company for the purchase of a total of 200,000 common shares. The options are exercisable for a period of three years at an exercise price of $0.20 per share and vested immediately. The fair value of these options at the date of grant was estimated at $27,680 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate – 0.52%; expected volatility – 211% (which is based on historical volatility of the Company's share price); dividend yield - nil; expected life - 3 years.

(iv) On September 6, 2016, the Company granted stock options to a consultant of the Company for the purchase of a total of 360,000 common shares. The options are exercisable for a period of five years at an exercise price of $0.17 per share and vested immediately. The fair value of these options at the date of grant was estimated at $59,436 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate – 0.66%; expected volatility – 195% (which is based on historical volatility of the Company's share price); dividend yield - nil; expected life - 5 years.

(Expressed in Canadian Dollars)

8. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of September 30, 2016:

Expiry date	Exercise price ($)	Remaining contractual life (years)	Number of options outstanding	Number of exercisable options
July 4, 2018	0.20	1.76	200,000	200,000
June 11, 2019	0.25	2.70	1,640,000	1,640,000
May 27, 2021	0.09	4.66	1,600,000	1,600,000
July 4, 2021	0.15	4.76	200,000	-
September 6, 2016	0.17	4.94	360,000	360,000
		3.85	**4,000,000**	**3,800,000**

9. Warrants

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

	Number of warrants	Weighted average exercise price ($)
Balance, December 31, 2014	**4,256,000**	**0.15**
Granted (note 6)	3,150,000	0.05
Expired	(4,256,000)	0.15
Balance, September 30, 2015	**3,150,000**	**0.05**
Balance, December 31, 2015	**3,150,000**	**0.05**
Granted (notes 6 and 7 (b)(i))	1,716,350	0.11
Exercised (note 6)	(2,807,260)	0.05
Balance, September 30, 2016	**2,059,090**	**0.10**

The following table reflects the actual warrants issued as of September 30, 2016:

Number of warrants outstanding	Grant date fair value ($)	Exercise price ($)	Expiry date
400,000	9,734	0.05	October 31, 2016
159,090	14,159	0.07	May 17, 2017
1,500,000	78,101	0.12	October 31, 2018
2,059,090	**101,994**	**0.10**	

(Expressed in Canadian Dollars)

10. Net loss per share

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2016 was based on the loss attributable to common shareholders of $376,275 and $1,167,474, respectively (three and nine months ended September 30, 2015 - $117,708 and $416,686, respectively) and the weighted average number of common shares outstanding of 43,952,087 and 33,886,993, respectively (three and nine months ended September 30, 2015 - 25,193,375 and 25,004,364, respectively). Diluted loss per share did not include the effect of 4,000,000 options outstanding (three and nine months ended September 30, 2015 - 1,880,000 options outstanding) or the effect of 2,059,090 warrants outstanding (three and nine months ended September 30, 2015 - 3,150,000 warrants outstanding) as they are anti-dilutive.

11. Related party balances and transactions

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

As at September 30, 2016, the directors and/or officers of the Company collectively control 4,655,808 common shares of the Company or approximately 11% of the total common shares outstanding. To the knowledge of directors and officers of the Company, the remainder of the outstanding common shares are held by diverse shareholders. These holdings can change at any time at the discretion of the owner.

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

		Three months ended September 30,		Nine months ended September 30,	
	Notes	**2016**	**2015**	**2016**	**2015**
Administration expense	(i)	**$ 81,000**	$ 36,000	**$ 198,000**	$ 108,000
Accounting expense	(ii)	**$ 11,379**	$ 11,076	**$ 33,351**	$ 35,586
Geological consulting expense	(iii)	**$ 24,000**	$ 2,110	**$ 41,600**	$ 23,330
Consulting expense	(iv)	**$ -**	$ -	**$ 12,000**	$ -
Bonus	(v)	**$ -**	$ -	**$ 144,000**	$ -

(i) For the three and nine months ended September 30, 2016, the Company incurred consulting fees included in administration expenses from companies controlled by officers of $81,000 and $198,000 (three and nine months ended September 30, 2015 - $36,000 and $108,000).

(ii) For the three and nine months ended September 30, 2016, the Company incurred accounting expenses from companies related to an officer of $11,379 and $33,351 (three and nine months ended September 30, 2015 - $11,076 and $35,586).

(iii) For the three and nine months ended September 30, 2016, the Company incurred geological consulting expenses from a company controlled by a former officer and a company controlled by current officer of $24,000 and $41,600 (three and nine months ended September 30, 2015 - $2,110 and $23,330).

(iv) For the three and nine months ended September 30, 2016, the Company incurred consulting expenses from a director of $nil and $12,000 (three and nine months ended September 30, 2015 - $nil).

(v) During the three and nine months ended September 30, 2016, the Company issued a bonus of $144,000 to the former President of the Company. As a condition of the bonus, the former President has relinquished any right to future severance in the event of termination or a change of control of the Company.

(vi) An officer of the Company purchased 1,096,000 common shares in the May 17, 2016 private placement (see note 7(b)(i)).

(Expressed in Canadian Dollars)

11. Related party balances and transactions (continued)

(vii) As at September 30, 2016, included in accounts payable and accrued liabilities is $3,547 (December 31, 2015 - $77,686) due to directors and key management. These amounts are unsecured, non-interest bearing and due on demand.

	As at September 30, 2016	As at December 31, 2015
Chief Executive Officer (Former) and Director	$ -	$ 27,120
Chief Financial Officer	2,510	24,539
VP Exploration (Former)	-	24,990
Directors	1,037	1,037
	$ 3,547	$ 77,686

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

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Fees charged:				
Directors	$ -	$ -	$ 12,000	$ -
Chief Executive Officer (Former) and Director	36,000	36,000	252,000	108,000
Chief Executive Officer and Director	45,000	-	90,000	-
Chief Financial Officer	11,379	11,076	33,351	35,586
VP Exploration and Director	24,000	-	36,000	-
VP Exploration (Former)	-	2,110	5,600	23,330
Share-based benefits:				
Chief Executive Officer and Director	-	-	136,400	-
VP Exploration and Director	-	-	81,840	-
Total remuneration	$ 116,379	$ 49,186	$ 647,191	$ 166,916

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.

12. Segmented information

The Company operates in one industry segment, namely exploration of mineral resources in two geographic regions, Canada and Chile. Geographical segmentation of the Company's non-current assets is as follows:

September 30, 2016	Canada	Chile	Total
Equipment	$ -	$ 9,492	$ 9,492
Mineral exploration properties	818,359	5,165,103	5,983,462
	$ 818,359	$ 5,174,595	$ 5,992,954

(Expressed in Canadian Dollars)

12. Segmented information (continued)

December 31, 2015		**Canada**		**Chile**		**Total**
Equipment	$	-	$	12,249	**$**	**12,249**
Mineral exploration properties		-		4,897,865		**4,897,865**
	$	-	$	4,910,114	**$**	**4,910,114**

The following tables summarizes the net loss by geographic segment:

Three months ended September 30, 2016		**Canada**		**Chile**		**Total**
Administrative expenses						
Administration fees	$	120,533	$	46	**$**	**120,579**
Amortization		-		919		**919**
Bank and interest charges		34,879		732		**35,611**
Foreign exchange loss		(10,804)		17,803		**6,999**
Investor relations		24,587		-		**24,587**
Office and miscellaneous		15,304		22,522		**37,826**
Professional fees		18,451		15,813		**34,264**
Share-based payments		96,605		-		**96,605**
Transfer agent and regulatory		9,179		-		**9,179**
Travel, promotion and mining shows		9,706		-		**9,706**
Net loss and comprehensive loss for the period	$	(318,440)	$	(57,835)	**$**	**(376,275)**

Three months ended September 30, 2015		**Canada**		**Chile**		**Total**
Administrative expenses						
Administration fees	$	39,390	$	3,227	**$**	**42,617**
Amortization		-		1,313		**1,313**
Bank and interest charges		23,198		330		**23,528**
Foreign exchange loss (gain)		(11)		(18,447)		**(18,458)**
Investor relations		1,474		-		**1,474**
Office and miscellaneous		13,505		27,099		**40,604**
Professional fees		16,570		4,285		**20,855**
Transfer agent and regulatory		5,360		-		**5,360**
Travel, promotion and mining shows		421		(6)		**415**
Net loss and comprehensive loss for the period	$	(99,907)	$	(17,801)	**$**	**(117,708)**

(Expressed in Canadian Dollars)

12. Segmented information (continued)

Nine months ended September 30, 2016	**Canada**	**Chile**	**Total**
Administrative expenses			
Administration fees	$ 419,938	$ 6,483	**$ 426,421**
Amortization	-	2,757	**2,757**
Bank and interest charges	115,414	1,617	**117,031**
Foreign exchange loss (gain)	(3,974)	26,875	**22,901**
Investor relations	48,107	-	**48,107**
Office and miscellaneous	33,564	73,824	**107,388**
Professional fees	48,147	31,450	**79,597**
Share-based payments	314,845	-	**314,845**
Transfer agent and regulatory	27,382	-	**27,382**
Travel, promotion and mining shows	21,045	-	**21,045**
Net loss and comprehensive loss for the period	$ (1,024,468)	$ (143,006)	**$ (1,167,474)**

Nine months ended September 30, 2015	**Canada**	**Chile**	**Total**
Administrative expenses			
Administration fees	$ 131,330	$ 9,850	**$ 141,180**
Amortization	-	3,937	**3,937**
Bank and interest charges	47,168	660	**47,828**
Foreign exchange gain	(392)	(873)	**(1,265)**
Investor relations	10,224	-	**10,224**
Office and miscellaneous	50,846	69,675	**120,521**
Professional fees	46,199	13,081	**59,280**
Transfer agent and regulatory	25,949	-	**25,949**
Travel, promotion and mining shows	8,382	650	**9,032**
Net loss and comprehensive loss for the period	$ (319,706)	$ (96,980)	**$ (416,686)**

13. Commitments and contingencies

Environmental and legal

The Company's operations are subject to government environmental protection legislation. Environmental consequences are difficult to identify in terms of results, timetable and impact.

At this time, to management's best knowledge, the Company's operations are in compliance with current laws and regulations.

Property taxes

The Company has unpaid property tax for various mineral exploration property claims totaling approximately 331,039,440 Chilean Pesos ($660,000) which has been included in accounts payable and accrued liabilities as at September 30, 2016. 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.

13. Commitments and contingencies (continued)

Consulting agreements

The Company entered into a consulting agreement with the Chief Executive Officer of the Company starting May 1, 2016, providing for the payment of $180,000 per year for the services of the Chief Executive Officer. In the event of termination without cause, the Chief Executive Officer is entitled to two time annual salary. In the event of a change of control, the Chief Executive Officer may terminate his consulting agreement for Good Reason, as defined in the agreement, resulting in being entitled to receive one year salary.

The Company entered into a consulting agreement with the VP Exploration of the Company starting May 1, 2016, providing for the payment of $96,000 per year for the services of the VP Exploration. In the event of termination without cause, the VP Exploration is entitled to one year annual salary. In the event of a change of control, the VP Exploration may terminate his consulting agreement for Good Reason, as defined in the agreement, resulting in being entitled to receive one year annual salary.

14. Proposed transaction

The Company has entered into an agreements to acquire three copper gold projects from Cogonov Inc. ("Cogonov"). The Projects are referred to as Lynn, Parrsboro and Bass River.

The Company will acquire Lynn, Parrsboro and Bass River from Cogonov for 20,500,000 commons shares. The common shares will be issued to the shareholders of Cogonov (directly or indirectly). No new control persons or insiders are expected to be created in Chilean Metals by the issuance of the Chilean Metals shares.

As part of the original non-binding letter agreement, Chilean Metals received a non-refundable $50,000 fee, which will be accounted for as part of the acquisition at the time it closes.

Subsequent to September 30, 2016, the Company completed the acquisition.

15. Subsequent events

(i) Subsequent to September 30, 2016, the Company announced it signed a letter of intent (LOI) to joint venture its Bass River project in Nova Scotia with Tejas Gold Company (Tejas). Tejas will have fourteen months after signing of a JV Agreement to earn a 35% working interest in the joint venture. To earn the interest Tejas will be required to pay a non refundable deposit of $25,000 (issuable within 30 working days of signing the LOI), issue 100,000 common shares of Tejas stock (issuable within 30 working days of signing the LOI) and to expend $400,000 in exploration work including drilling on Bass River. Should they spend the $400,000 on or before June 30, 2017, as is currently planned, then a bonus participation of 5% shall be awarded bringing the Tejas participation in the JV to 40%. In addition, Tejas shall pay the Company a management fee of $5,000 per month over the duration of the work program.

(ii) Subsequent to September 30, 2016, the Company announced it closed as non-brokered private placement of $805,885 by issuing 5,372,566 common shares at $0.15 per share. Eligible finders were paid cash fees of $35,716 and 240,187 broker warrants. 229,771 broker warrants entitle the holder to acquire one common share at $0.15 until October 24, 2017 and 10,416 broker warrants entitle the holder to acquire one common share at USD$0.12 until October 24, 2017. All securities issued pursuant to the above referenced private placement are subject to a four month hold period expiring on March 2, 2017.

Insiders of the Company purchased 200,000 common shares for proceeds of $30,000.

(iii) Subsequent to September 30, 2016, $20,000 of debenture principal was converted to exercise 400,000 warrants at $0.05 and outstanding debentures and accrued interest totaling $174,013 were repaid through the issuance of 1,160,085 shares at $0.15 per share. The 1,160,085 shares issued pursuant to the share for debt are subject to a four month hold period expiring on March 19, 2017.

15. Subsequent events (continued)

(iv) Subsequent to September 30, 2016, the Company issued 2,850,000 stock options to management, directors and a consultant of the Company. Each stock option is exercisable at $0.15 for 5 years from issuance and vested immediately.