
CHILEAN METALS INC.
(FORMERLY INTERNATIONAL PBX VENTURES LTD.)
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED JUNE 30, 2014
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

NOTICE TO READER

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

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

	As at June 30, 2014	As at December 31, 2013
ASSETS		
Current assets		
Cash	\$ 483,194	\$ 62,902
Amounts receivable	26,238	7,748
Advances, prepaid expenses and deposits	65,194	9,325
Assets held for sale (note 7)	-	2,742,838
Total current assets	574,626	2,822,813
Non-current assets		
Equipment (note 5)	22,198	26,351
Mineral properties (note 6)	5,580,966	5,564,813
Total assets	\$ 6,177,790	\$ 8,413,977
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	\$ 741,351	\$ 1,099,458
Deferred acquisition deposit (Note 6(a))	-	201,736
Loans payable (notes 8(b) and (c))	94,940	343,310
Convertible debentures (note 8(a))	-	1,943,365
Total liabilities	836,291	3,587,869
Shareholders' equity		
Issued capital (note 9)	48,358,997	47,517,549
Contributed surplus	3,392,781	3,190,781
Deficit	(46,410,279)	(45,882,222)
Total shareholders' equity	5,341,499	4,826,108
Total equity and liabilities	\$ 6,177,790	\$ 8,413,977

Nature of operations and going concern (note 1)**Commitments and contingencies** (note 15)**Subsequent event** (note 16)

On behalf of the Board:

(Signed) Terry LynchTerry Lynch
Director(Signed) Peter KentPeter Kent
Director

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

Chilean Metals Inc.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Administrative expenses				
Administration fees (note 13)	\$ 206,348	\$ 66,581	\$ 284,105	148,135
Amortization	2,137	29,939	4,153	55,698
Bank and interest charges	11,772	30,120	50,711	57,301
Foreign exchange loss (gain)	(2,702)	(8,314)	42,005	19,397
Generative exploration expense (recovery)	(14,672)	39,675	(14,672)	39,675
Investor relations	11,378	2,955	11,378	26,251
Issuance costs	-	20,000	-	20,000
Office and miscellaneous	38,337	62,395	90,842	133,638
Professional fees (note 13)	77,154	114,404	116,216	237,237
Share-based payments (note 13)	202,000	-	202,000	-
Transfer agent and regulatory	19,291	3,308	33,347	7,685
Travel, promotion and mining shows	15,075	12,206	26,873	42,693
Net operating loss before other items	(566,118)	(373,269)	(846,958)	(787,710)
Other items				
Realized gain on disposal of camp	-	-	318,901	-
Net loss and comprehensive loss for the period	\$ (566,118)	\$ (373,269)	\$ (528,057)	\$ (787,710)
Basic and diluted net loss per share (note 12)	\$ (0.03)	\$ (0.02)	\$ (0.03)	\$ (0.05)
Weighted average number of common shares outstanding - basic and diluted (note 12)	17,873,375	15,853,237	16,973,667	15,776,053

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

Chilean Metals Inc.

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

	Six Months Ended June 30,	
	2014	2013
Operating activities		
Net loss for the period	\$ (528,057)	\$ (787,710)
Items not affecting cash:		
Amortization	4,153	55,698
Share-based payments	202,000	-
Accrued interest income	940	-
Non-cash working capital items:		
Amounts receivable	(18,490)	52,403
Advances, prepaid expenses and deposits	(55,869)	(29,774)
Accounts payable and accrued liabilities	(358,107)	(108,137)
Net cash used in operating activities	(753,430)	(817,520)
Financing activities		
Share capital issued	851,200	647,750
Share subscriptions	-	(647,750)
Share issuance costs	(9,752)	(20,536)
Deferred share issuance costs	-	20,536
Loan repayments	(248,370)	-
Issuance (repayment) of convertible debentures	(1,943,365)	784,380
Net cash (used in) provided by financing activities	(1,350,287)	784,380
Investing activities		
Acquisition of and expenditures on mineral properties	(16,153)	(50,190)
Deferred acquisition deposit	(202,676)	-
Assets held for sale	2,742,838	-
Net cash (used in) provided by investing activities	2,524,009	(50,190)
Net change in cash and cash equivalents	420,292	(83,330)
Cash and cash equivalents, beginning of period	62,902	122,392
Cash and cash equivalents, end of period	\$ 483,194	\$ 39,062
Supplemental disclosures		
Interest paid	\$ 45,635	\$ 55,476

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

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

	Common Shares		Share Subscriptions	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
	Number	Amount					
Balance, December 31, 2012	14,690,332	\$ 46,809,389	\$ 647,750	\$ 3,190,781	\$ (31,059)	\$ (26,348,623)	\$ 24,268,238
Private placements	1,341,043	647,750	(647,750)	-	-	-	-
Share issuance cost	-	(20,536)	-	-	-	-	(20,536)
Net loss for the period	-	-	-	-	-	(787,710)	(787,710)
Balance, June 30, 2013	16,031,375	\$ 47,436,603	\$ -	\$ 3,190,781	\$ (31,059)	\$ (27,136,333)	\$ 23,459,992
Balance, December 31, 2013	16,081,375	\$ 47,517,549	\$ -	\$ 3,190,781	\$ -	\$ (45,882,222)	\$ 4,826,108
Private placements	8,512,000	851,200	-	-	-	-	851,200
Share issue costs - cash	-	(9,752)	-	-	-	-	(9,752)
Share-based payments	-	-	-	202,000	-	-	202,000
Unrealized loss on available-for-sale	-	-	-	-	-	-	-
Net loss for the period	-	-	-	-	-	(528,057)	(528,057)
Balance, June 30, 2014	24,593,375	\$ 48,358,997	\$ -	\$ 3,392,781	\$ -	\$ (46,410,279)	\$ 5,341,499

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

CHILEAN METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2014
(Expressed in Canadian Dollars)
(Unaudited)

1. Nature of operations and going concern

Chilean Metals Inc. (formerly International PBX Ventures Ltd; the "Company") is an exploration stage company and is in the business of acquiring and exploring mineral properties in Chile. There has been no determination whether properties held contain ore reserves, which are economically recoverable.

The Company is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") and OTCQX International (see note 16). The head office and principal address of the Company are located at Suite 205 - 490 Adelaide Street West, Toronto, Ontario, Canada, M5V 1T2. The Company's registered and records office address is at Suite 700 – 595 Burrard Street, PO Box 49290, Vancouver, British Columbia, Canada, V7X 1S8.

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

These unaudited condensed interim consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. These unaudited condensed interim consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. During the three and six months ended June 30, 2014, the Company incurred a net loss of \$566,118 and \$528,057, respectively (three and six months ended, June 30, 2013 - \$373,269 and \$787,710, respectively). As at June 30, 2014, the Company has incurred significant losses since inception totalling \$46,410,279 (December 31, 2013 - \$45,882,222). At at June 30, 2014, the Company has a working capital deficiency of \$261,665 (December 31, 2013 - \$765,056); the continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that additional funds will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

2. Basis of presentation

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

These unaudited condensed interim consolidated financial statements for the three and six months ending June 30, 2014 including comparatives have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. These unaudited condensed interim consolidated 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, 2013, which have been prepared in accordance with IFRS.

These unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2014 were approved and authorized for issue by the Company's Board of Directors on August 27, 2014.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis under the historical cost convention, except for the revaluation of certain financial instruments.

CHILEAN METALS INC.

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2014

(Expressed in Canadian Dollars)

(Unaudited)

3. Basis of consolidation

These unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2014 include the accounts of the Company, its wholly-owned Chilean subsidiary, Minera IPBX Ltda., and its wholly-owned Canadian subsidiaries, Tierra de Oro Resources Ltd. and Chilean Metals Exploration Ltd. These unaudited condensed interim consolidated financial statements include the indirectly 100% owned subsidiaries of SPN Metals Exploration Ltd., TDO Metals Exploration Ltd., Pintada Minerals Inc., Pintada Holdings Inc., Palo Negro Mining Inc., Palo Negro Holdings Inc., Verna Explorations Ltd., and Verna Holdings Ltd. The Company also has a 100% indirect interest in three Chilean subsidiaries: Minera Tierra de Oro Ltda., Minera Palo Negro Ltda. and Minera Sierra Pintada Ltda. All material inter-company balances and transactions have been eliminated on consolidation.

4. Significant accounting policies

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of August 27, 2014, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2013, 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, 2014 could result in restatement of these unaudited condensed interim consolidated financial statements.

Change in accounting policies

The Company adopted the following accounting pronouncements during the period.

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

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

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

CHILEAN METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2014
(Expressed in Canadian Dollars)
(Unaudited)

4. Significant accounting policies (continued)

Recent accounting pronouncements

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

5. Equipment

Cost

	Field Equipment	Furniture and office equipment	Camp	Total
Balance, December 31, 2012	\$ 83,278	\$ 123,676	\$ 453,662	\$ 660,616
Reclassified to assets held for sale	-	-	(453,662)	(453,662)
Balance, December 31, 2013 and June 30, 2014	\$ 83,278	\$ 123,676	\$ -	\$ 206,954

Accumulated depreciation

	Field Equipment	Furniture and office equipment	Camp	Total
Balance, December 31, 2012	\$ 59,061	\$ 100,225	\$ 184,628	\$ 343,914
Depreciation	11,945	9,372	72,176	93,493
Reclassified to assets held for sale	-	-	(256,804)	(256,804)
Balance, December 31, 2013	71,006	109,597	-	180,603
Depreciation	1,841	2,312	-	4,153
Balance, June 30, 2014	\$ 72,847	\$ 111,909	\$ -	\$ 184,756

Net book value

	Field Equipment	Furniture and office equipment	Camp	Total
At December 31, 2013	\$ 12,272	\$ 14,079	\$ -	\$ 26,351
At June 30, 2014	\$ 10,431	\$ 11,767	\$ -	\$ 22,198

CHILEAN METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2014
(Expressed in Canadian Dollars)
(Unaudited)

6. Mineral properties

	Copaquire (a)	Sierra Pintada (b)	Tierra de Oro (c)	Other (d - h)	Total
Balance, December 31, 2012	\$ 19,513,679	\$ 967,617	\$ 4,364,680	\$ -	\$ 24,845,976
Acquisition and staking	77,734	88,126	95,803	48,587	310,250
Exploration					
Drilling recover	(10,476)	-	-	-	(10,476)
Field costs	1,547	-	-	-	1,547
Exploration and acquisition costs 2013	68,805	88,126	95,803	48,587	301,321
Camp recovery cost	(11,064)	-	-	-	(11,064)
Impairment loss	(17,025,440)	-	-	-	(17,025,440)
Reclassified to assets held for sale	(2,545,980)	-	-	-	(2,545,980)
Balance, December 31, 2013	-	1,055,743	4,460,483	48,587	5,564,813
Exploration					
Claim costs	-	-	-	16,153	16,153
Balance, June 30, 2014	\$ -	\$ 1,055,743	\$ 4,460,483	\$ 64,740	\$ 5,580,966

(a) Copaquire Property, Chile

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

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

(b) Sierra Pintada, Chile

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

(c) Tierra de Oro, Chile

The Company owns a 100% interest in exploitation and exploration concessions covering 5,667 hectares in Region III, Chile.

(d) Hornitos Property, Chile

The Company owns eleven claims, covering 3,009 hectares located 35 kilometres south of Copiapo, Chile. Currently, the Company is not conducting active exploration on the property.

CHILEAN METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2014
(Expressed in Canadian Dollars)
(Unaudited)

6. Mineral properties (continued)

(e) Palo Negro Property, Chile

The Company owns mining concessions covering 6,046 hectares in Chile. Currently, the Company is not conducting active exploration on the property.

(f) Zulema aka. Chicharra Property, Chile

The Company has acquired 100% of the rights to exploitation concessions over an area of 877 hectares.

(g) Tabaco, Chile

The Company owns mining concessions covering 700 hectares in Chile. Currently, the Company is not conducting active exploration on the property.

(h) Other Property, Chile

The Company has acquired the 100% of the rights to an exploitation concession and has staked an area of 5,300 hectares in Chile. Currently, the Company is not conducting active exploration on the property.

7. Assets held for sale

During the six month period ended June 30, 2014, the Company disposed of the Copaquire Property and Camp pursuant to the Sale Agreement described in note 6(a) which it committed to disposing of during the year ended December 31, 2013. As at December 31, 2013, the Copaquire Property and Camp met the criteria to be classified as assets held for sale and as such were each measured respectively at the lower of their carrying amount and their fair value less costs to sell.

The table below outlines the assets held for sale values at December 31, 2013 and June 30, 2014:

Assets held for sale	Amount
Fair value less costs to sell of Copaquire Property	\$ 2,545,980
Carrying amount of Camp	196,858
Assets held for sale, December 31, 2013	2,742,838
Disposition of Copaquire Property March 24, 2014	(2,545,980)
Disposition of Copaquire Camp March 24, 2014	(196,858)
Assets held for sale, June 30, 2014	\$ -

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

The Copaquire Camp was measured at its carrying amount at December 31, 2013. The total proceeds attributed to the Camp from the Sale Agreement was \$519,628. Therefore, the Company recognized a gain on the disposition of the Camp of \$318,901 including foreign exchange loss.

CHILEAN METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2014
(Expressed in Canadian Dollars)
(Unaudited)

8. Convertible debentures and loans

(a) During the period ended June 30, 2014 the Company's convertible debentures ("Debentures") outstanding, bearing interest at a rate of 14% per annum matured on March 24, 2014 when the sale of Copaquire property closed. As at March 24, 2014, the total interest accrued on the debentures was \$103,846.

	Amount
Balance, December 31, 2013	\$ 1,943,365
Accrued interest	29,241
Less: maturity repayments	(1,972,606)
Balance, June 30, 2014	\$ -

(b) The Company had two loans totalling \$200,000 from a former director, who resigned in March 2012. Both loans are interest bearing at 1% per month, unsecured, and due on demand. During the period ended June 30, 2014, \$140,000 was repaid with a remaining balance of \$60,000 and \$34,000 in accrued interest. On May 31, 2014, the Company entered into a new loan agreement for the remaining aggregate balance of \$94,000 to be repaid on May 31, 2015. The loan bears interest at 12% per annum.

(c) The Company had a loan outstanding for an aggregate amount of \$115,000 at December 31, 2013. The loan was repaid during the period ended June 30, 2014 plus accrued interest of \$10,350.

9. Issued capital

a) Authorized share capital

At June 30, 2014, the authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value.

b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2012	14,690,332	\$ 46,809,389
Private placements	1,079,583	647,750
Share issuance costs	-	(20,536)
Convertible debenture private placement	261,460	-
Balance, June 30, 2013	16,031,375	\$ 47,436,603
Balance, December 31, 2013	16,081,375	\$ 47,517,549
Private placement (i)	8,512,000	851,200
Share issuance costs	-	(9,752)
Balance, June 30, 2014	24,593,375	\$ 48,358,997

CHILEAN METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2014
(Expressed in Canadian Dollars)
(Unaudited)

9. Issued capital (continued)

b) Common shares issued (continued)

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

10. 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, 2012	865,000	2.50
Expired	(460,000)	2.90
Balance, June 30, 2013	405,000	2.00
Balance, December 31, 2013	305,000	1.90
Expired	(15,000)	2.33
Granted (i)	2,000,000	0.25
Balance, June 30, 2014	2,290,000	0.46

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

CHILEAN METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2014
(Expressed in Canadian Dollars)
(Unaudited)

10. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of June 30, 2014:

Expiry date	Exercise price (\$)	Remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
July 5, 2014 ⁽¹⁾	1.20	0.01	210,000	210,000
June 25, 2015	3.80	0.99	80,000	80,000
June 11, 2019	0.25	4.95	2,000,000	2,000,000
		4.41	2,290,000	2,290,000

⁽¹⁾ Subsequent to the period ended June 30, 2014 these stock options expired unexercised.

11. Warrants

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

	Number of warrants	Weighted average exercise price (\$)
Balance, December 31, 2012	1,336,175	1.80
Issued	1,079,583	0.70
Balance, June 30, 2013	2,415,758	1.30
Balance, December 31, 2013	2,151,758	0.25
Granted (note 9(b)(i))	4,256,000	0.15
Balance, June 30, 2014	6,407,758	0.18

The following table reflects the actual warrants issued as of June 30, 2014:

Number of warrants outstanding	Exercise price (\$)	Expiry date
2,151,758	0.25	August 31, 2014
4,256,000	0.15	June 11, 2015
6,407,758	0.18	

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

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

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

CHILEAN METALS INC.

Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended June 30, 2014 (Expressed in Canadian Dollars) (Unaudited)

12. Net loss per share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2014 was based on the loss attributable to common shareholders of \$566,118 and \$528,057, respectively (three and six months ended June 30, 2013 - loss of \$373,269 and \$787,710, respectively) and the weighted average number of common shares outstanding of 17,873,375 and 16,973,667, respectively (three and six months ended June 30, 2013 - 15,853,237 and 15,776,053, respectively). Diluted loss per share did not include the effect of 2,290,000 options outstanding (three and six months ended June 30, 2013 - 405,000 options outstanding) or the effect of 6,407,758 warrants outstanding (three and six months ended June 30, 2013 - 2,415,758 warrants outstanding) as they are anti-dilutive.

13. Related party balances and transactions

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

As at June 30, 2014, the directors and/or officers of the Company collectively control 3,024,533 common shares of the Company or approximately 12% of the total common shares outstanding. To the knowledge of directors and officers of the Company, the remainder of the outstanding common shares are held by diverse shareholders. These holdings can change at any time at the discretion of the owner.

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

	Notes	Three Months Ended June 30,		Six Months Ended June 30,	
		2014	2013	2014	2013
Administration expense	(i)	\$ 76,000	\$ 32,426	\$ 112,000	\$ 72,000
Accounting expense	(ii)	\$ 25,044	\$ 48,842	\$ 37,044	\$ 87,103
Geological consulting expense	(iii)	\$ 24,040	\$ 22,880	\$ 40,040	\$ 64,360
Consulting expense	(iv)	\$ 45,000	\$ -	\$ 65,000	\$ -

(i) For the three and six months ended June 30, 2014, the Company incurred administration expenses from former officers or former directors or companies controlled by officers or directors or former officers or former directors of \$76,000 and \$112,000 (three and six months ended June 30, 2013 - \$32,426 and \$72,000).

(ii) For the three and six months ended June 30, 2014, the Company incurred accounting expenses from officers or former officers or companies controlled by officers or former officers of \$25,044 and \$37,044 (three and six months ended June 30, 2013 - \$48,842 and \$87,103).

(iii) For the three and six months ended June 30, 2014, the Company incurred geological consulting expenses from a company controlled by an officer of \$24,040 and \$40,040 (three and six months ended June 30, 2013 - \$22,880 and \$64,360).

(iv) For the three and six months ended June 30, 2014, the Company incurred consulting expenses from directors of \$45,000 and \$65,000 (three and six months ended June 30, 2013 - \$Nil).

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

On March 20, 2013, the Company filed a counterclaim regarding alleged management fees payable of \$101,747. The counterclaim is in the amount of \$181,600. The Company intends and continues to vigorously defend itself against the claim and to pursue its counterclaim.

CHILEAN METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2014
(Expressed in Canadian Dollars)
(Unaudited)

13. Related party balances and transactions (continued)

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

(vi) Certain officers and directors, either directly or through a company they control, purchased an aggregate of 1,610,000 units in the June 11, 2014 private placement (see note 9(b)(i)).

(vii) As at June 30, 2014, included in accounts payable and accrued liabilities is \$8,160 (December 31, 2013 - \$17,431) due to related parties.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Fees charged:				
Directors	\$ 45,000	\$ -	\$ 65,000	\$ -
Chief Executive Officer	76,000	36,000	112,000	72,000
Chief Financial Officer	3,544	-	3,544	-
Chief Financial Officer (former)	21,500	26,220	33,500	64,581
VP Exploration	24,040	22,880	40,040	64,360
Share-based benefits:				
Directors	72,720	-	72,720	-
Chief Executive Officer	80,800	-	80,800	-
Chief Financial Officer	12,120	-	12,120	-
Chief Financial Officer (former)	12,120	-	12,120	-
VP Exploration	24,240	-	24,240	-
Total remuneration	\$ 372,084	\$ 85,100	\$ 456,084	\$ 200,941

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.

14. Segmented information

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

15. 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.

CHILEAN METALS INC.

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2014

(Expressed in Canadian Dollars)

(Unaudited)

16. Subsequent event

The Company's common shares commenced trading on OTCQX International, a segment of the OTCQX marketplace in the U.S., effective July 15th, under the ticker CMETF.