
CHILEAN METALS INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2017
(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 March 31, 2017	As at December 31, 2016
ASSETS		
Current assets		
Cash	\$ 163,112	\$ 535,281
Marketable securities (note 5)	33,668	33,668
Amounts receivable	36,719	38,864
Advances, prepaid expenses and deposits (note 11)	83,628	99,591
Total current assets	317,127	707,404
Non-current assets		
Equipment (note 4)	7,930	8,573
Mineral exploration properties (note 5)	9,058,742	8,343,795
Total assets	\$ 9,383,799	\$ 9,059,772
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 11(a)(v) and 13)	\$ 840,744	\$ 576,996
Warrant liability (note 9)	3,056	5,432
Total current liabilities	843,800	582,428
Non-current liabilities		
Debentures payable (note 6)	238,383	111,606
Total liabilities	1,082,183	694,034
Shareholders' equity		
Issued capital (note 7)	54,327,593	54,299,990
Contributed surplus	4,188,823	4,131,363
Warrants (note 9)	224,785	126,782
Deficit	(50,439,585)	(50,192,397)
Total shareholders' equity	8,301,616	8,365,738
Total equity and liabilities	\$ 9,383,799	\$ 9,059,772

Nature of operations and going concern (note 1)**Commitments and contingencies** (notes 6 and 13)**Subsequent event** (note 14)

On behalf of the Board:

(Signed) *Terry Lynch*
Terry Lynch, Director

(Signed) *Peter Kent*
Peter Kent, Director

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

Chilean Metals Inc.**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)****Three months ended
March 31,
2017 2016**

Administrative expenses

Administration fees (note 11)	\$ 124,439	\$ 49,328
Amortization (note 4)	643	919
Bank and interest charges (note 6)	30,254	44,688
Foreign exchange gain	(76,057)	(862)
Investor relations	25,475	17,541
Office and miscellaneous	29,094	35,657
Professional fees (note 11)	24,074	24,229
Share-based payments (note 8)	57,460	-
Transfer agent and regulatory	14,253	10,773
Travel, promotion and mining shows	19,929	8,898

Net operating loss before other items	(249,564)	(191,171)
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Other items

Unrealized gain on warrant liability (note 9)	2,376	-
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Net loss and comprehensive loss for the period	\$ (247,188)	\$ (191,171)
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Basic and diluted net loss per share (note 10)	\$ (0.00)	\$ (0.01)
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Weighted average number of common shares outstanding - basic and diluted (note 10)	75,481,662	25,193,375
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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)

Three months ended
March 31,
2017 2016

Operating activities

Net loss for the period	\$ (247,188)	\$ (191,171)
Items not affecting cash:		
Amortization	643	919
Share-based payments	57,460	-
Accrued interest	27,752	34,090
Unrealized loss on warrant liability	(2,376)	-
Non-cash working capital items:		
Amounts receivable	2,145	(6,778)
Advances, prepaid expenses and deposits	15,963	(9,066)
Accounts payable and accrued liabilities	263,748	95,567
Net cash provided by (used in) operating activities	118,147	(76,439)

Financing activities

Proceeds on private placement	25,000	-
Share issue costs	(875)	-
Warrants exercised	1,531	-
Advance from related party	-	65,000
Shares to be issued	-	121,800
Issuance of debentures	210,000	-
Debentures issue costs	(11,025)	-
Net cash provided by financing activities	224,631	186,800

Investing activities

Acquisition of and expenditures on mineral exploration properties	(714,947)	(103,445)
Net cash used in investing activities	(714,947)	(103,445)
Net change in cash	(372,169)	6,916
Cash, beginning of period	535,281	456
Cash, end of period	\$ 163,112	\$ 7,372

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		Shares to be issued	Contributed Surplus	Warrants	Deficit	Total
	Number	Amount					
Balance, December 31, 2015	25,193,374	\$ 48,385,997	\$ -	\$ 3,392,781	\$ 72,898	\$(48,131,563)	\$ 3,720,113
Exercise of warrants	-	-	156,062	-	(48,562)	-	107,500
Shares to be issued	-	-	121,800	-	-	-	121,800
Shares issued for mineral	-	-	-	-	-	-	-
Net comprehensive loss for the period	-	-	-	-	-	(191,171)	(191,171)
Balance, March 31, 2016	25,193,374	\$ 48,385,997	\$ 277,862	\$ 3,392,781	\$ 24,336	\$(48,322,734)	\$ 3,758,242
Balance, December 31, 2016	75,337,298	\$ 54,299,990	\$ -	\$ 4,131,363	\$ 126,782	\$(50,192,397)	\$ 8,365,738
Private placement	166,667	25,000	-	-	-	-	25,000
Share issuance cost	-	(875)	-	-	-	-	(875)
Share-based payments	-	-	-	57,460	-	-	57,460
Warrants issued on debentures	-	-	-	-	99,950	-	99,950
Exercise of warrants	21,875	1,531	-	-	-	-	1,531
Value of warrants exercised	-	1,947	-	-	(1,947)	-	-
Net comprehensive loss for the period	-	-	-	-	-	(247,188)	(247,188)
Balance, March 31, 2017	75,525,840	\$ 54,327,593	\$ -	\$ 4,188,823	\$ 224,785	\$(50,439,585)	\$ 8,301,616

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

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

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 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. During the period, the Company was advised that its Tierra de Oro and Zulema claims were scheduled to be put up for auction in May 2017 as a result of non-payment of property taxes related to the years 2010 to 2013. The Company filed applications, as permitted by the relevant statutes, to forgive these back taxes which was accepted. Therefore the 2010 to 2013 property taxes are no longer owing.

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 months ended March 31, 2017, the Company incurred a net loss of \$247,188 (three months ended March 31, 2016 - \$191,171). As at March 31, 2017, the Company has incurred significant losses since inception totaling \$50,439,585 (December 31, 2016 - \$50,192,397). As at March 31, 2017, the Company has a working capital deficiency of \$526,673 (December 31, 2016 - working capital of \$124,976); 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.

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements
Three Months Ended March 31, 2017
(Expressed in Canadian Dollars)
(Unaudited)

2. Basis of presentation

These unaudited condensed consolidated interim financial statements for the three months ended March 31, 2017, 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, 2016, which have been prepared in accordance with IFRS.

These unaudited condensed consolidated interim financial statements for the three months ended March 31, 2017 were approved and authorized for issue by the Company's Board of Directors on May 29, 2017.

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 May 29, 2017, 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, 2016, 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, 2017 could result in restatement of these unaudited condensed consolidated interim financial statements.

Change in accounting policies

The Company adopted the following accounting pronouncement during the period.

(i) IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. At January 1, 2017, the Company adopted these amendments and there was no material impact on the Company's unaudited condensed consolidated interim financial statements.

(ii) IAS 12 – Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. At January 1, 2017, 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, 2017 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.

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements
Three Months Ended March 31, 2017
(Expressed in Canadian Dollars)
(Unaudited)

3. Significant accounting policies (continued)

Recent accounting pronouncements (continued)

(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.

4. Equipment

Cost

	Field equipment	Furniture and office equipment	Total
Balance, December 31, 2015	\$ 83,278	\$ 123,676	\$ 206,954
Balance, December 31, 2016	83,278	123,676	206,954
Balance, March 31, 2017	\$ 83,278	\$ 123,676	\$ 206,954

Accumulated amortization

	Field equipment	Furniture and office equipment	Total
Balance, December 31, 2015	\$ 77,574	\$ 117,131	\$ 194,705
Amortization	1,712	1,964	3,676
Balance, December 31, 2016	79,286	119,095	198,381
Amortization	299	344	643
Balance, March 31, 2017	\$ 79,585	\$ 119,439	\$ 199,024

Net book value

	Field equipment	Furniture and office equipment	Total
At December 31, 2016	\$ 3,992	\$ 4,581	\$ 8,573
At March 31, 2017	\$ 3,693	\$ 4,237	\$ 7,930

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements
Three Months Ended March 31, 2017
(Expressed in Canadian Dollars)
(Unaudited)

5. Mineral exploration properties

	Tierra de Oro	Zulema	Nova Scotia	Other	Total
Balance, December 31, 2015	\$ 4,569,452	\$ 279,826	\$ -	\$ 48,587	\$ 4,897,865
Acquisition and staking	-	-	3,511,800	-	3,511,800
Property option proceeds	-	-	(33,668)	-	(33,668)
Exploration					
Field costs	-	1,612	-	-	1,612
Geological	-	45,083	-	-	45,083
Project management	-	9,771	2,530	-	12,301
Technical Report	-	-	21,529	-	21,529
Claim costs (reversal)	(172,002)	99,342	8,520	-	(64,140)
Exploration and acquisition costs 2016	(172,002)	155,808	3,510,711	-	3,494,517
Impairment loss	-	-	-	(48,587)	(48,587)
Balance, December 31, 2016	4,397,450	435,634	3,510,711	-	8,343,795
Property option proceeds	-	-	(33,763)	-	(33,763)
Exploration					
Field costs	-	30,111	-	-	30,111
Drilling	-	639,872	-	-	639,872
Geological	-	73,740	-	-	73,740
Claim costs	-	4,987	-	-	4,987
Exploration and acquisition costs 2017	-	748,710	(33,763)	-	714,947
Balance, March 31, 2017	\$ 4,397,450	\$ 1,184,344	\$ 3,476,948	\$ -	\$ 9,058,742

The Company closed an agreement to joint venture its Bass River project in Nova Scotia with Tejas Gold Company ("Tejas"), a company whose CEO is a director of the Company. Tejas will have fourteen months 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 USD \$25,000 (received during the three months ended March 31, 2017), issue 100,000 common shares of Tejas stock (received during the year ended December 31, 2016 and valued at \$33,668 based on the price of a recent arm's length financing) and to expend \$400,000 in exploration work including drilling on Bass River. Should Tejas deliver a drill program commitment 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 joint venture to 40%. In addition, Tejas shall pay the Company a management fee of \$5,000 per month over the duration of the work program.

6. Debentures and loans

(a) 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, which is not expected to occur prior to December 31, 2017, 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.

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

6. Debentures and loans (continued)

(a) (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 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 year 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.

(b) On March 24, 2017, the Company issued \$210,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of its Copaquire 3% NSR, which is not expected to occur prior to March 31, 2018, and October 31, 2018. The Company was required to issue 1,500,000 warrants, exercisable at a price of \$0.18 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 \$210,000/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. A fee of \$10,000 was paid to the debenture holder in respect of this transaction.

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 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 1.61 year expected average life; 171% expected volatility; risk-free interest rate of 0.68%; 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 \$110,050 (\$104,272 net of transaction costs), the equity component is \$99,950 (recorded in warrants) and the right to acquire the Copaquire NSR is valued at \$nil.

All debentures were held with shareholders of the Company.

7. Issued capital

a) Authorized share capital

At March 31, 2017, 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, 2015 and March 31, 2016	25,193,374	\$ 48,385,997
Balance, December 31, 2016	75,337,298	\$ 54,299,990
Private placement (i)	166,667	25,000
Share issuance costs (i)	-	(875)
Exercise of warrants (note 9)	21,875	1,531
Value of warrants exercised (note 9)	-	1,947
Balance, March 31, 2017	75,525,840	\$ 54,327,593

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements
Three Months Ended March 31, 2017
(Expressed in Canadian Dollars)
(Unaudited)

7. Issued capital (continued)

b) Common shares issued (continued)

(i) On January 19, 2017, the Company completed the final tranche of a non-brokered private placement of 166,667 common shares at \$0.15 per share for aggregate gross proceeds of \$25,000.

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, 2015 and March 31, 2016	1,880,000	0.25
Balance, December 31, 2016	6,850,000	0.16
Granted (i), (ii)	350,000	0.18
Balance, March 31, 2017	7,200,000	0.16

(i) On January 20, 2017, 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 two years at an exercise price of \$0.18 per share and vested immediately. The fair value of these options at the date of grant was estimated at \$28,320 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate – 0.77%; expected volatility – 175% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 2 years.

(ii) On March 20, 2017, the Company granted stock options to a consultant of the Company for the purchase of a total of 150,000 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 \$24,810 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate – 1.18%; expected volatility – 197% (which is based on historical volatility of the Company's share price); expected dividend yield - nil; expected life - 5 years.

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements
Three Months Ended March 31, 2017
(Expressed in Canadian Dollars)
(Unaudited)

8. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of March 31, 2017:

Expiry date	Exercise price (\$)	Remaining contractual life (years)	Number of options outstanding	Number of exercisable options
July 4, 2018	0.20	1.26	200,000	200,000
June 11, 2019	0.25	2.20	1,640,000	1,640,000
January 19, 2019	0.18	1.81	200,000	200,000
May 27, 2021	0.09	4.16	1,600,000	1,600,000
July 4, 2021	0.15	4.26	200,000	100,000
September 6, 2021	0.17	4.44	360,000	360,000
November 14, 2021	0.15	4.63	2,850,000	2,850,000
March 20, 2022	0.17	4.97	150,000	150,000
		3.79	7,200,000	7,100,000

9. Warrants

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

	Number of warrants	Weighted average exercise price (\$)
Balance, December 31, 2015	3,150,000	0.05
Exercised	(2,150,000)	0.05
Balance, March 31, 2016	1,000,000	0.05
Balance, December 31, 2016	2,081,029	0.12
Granted (note 6 (b))	1,500,000	0.18
Exercised	(21,875)	0.07
Balance, March 31, 2017	3,559,154	0.15

The following table reflects the actual warrants issued as of March 31, 2017:

Number of warrants outstanding	Grant date fair value (\$)	Exercise price (\$)	Expiry date
137,215	12,212	0.07	June 1, 2017
229,771	16,566	0.15	October 24, 2017
10,416	732	USD0.12 ⁽¹⁾	October 24, 2017
146,579	17,956	0.15	December 30, 2017
35,173	4,210	USD0.12 ⁽¹⁾	December 30, 2017
1,500,000	78,101	0.12	October 31, 2018
1,500,000	99,950	0.12	October 31, 2018
3,559,154	229,727	0.15	

CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements Three Months Ended March 31, 2017 (Expressed in Canadian Dollars) (Unaudited)

9. Warrants (continued)

(1) As a result of the exercise price of the warrants being denominated in a currency other than the functional currency, the warrants are considered a derivative financial liability. The warrants are classified as a liability and revalued at each period end with any gain or loss in the fair value being recorded in the unaudited condensed consolidated interim statements of loss as an unrealized gain or loss on warrant liability.

On March 31, 2017, the fair value of the warrants, denominated in a currency other than the functional currency, was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 155%; risk free interest rate of 0.59%; and an expected life of 0.71 years. As a result, the fair value of the warrants was estimated to be \$3,056.

10. Net loss per share

The calculation of basic and diluted loss per share for the three months ended March 31, 2017 was based on the loss attributable to common shareholders of \$247,188 (three months ended March 31, 2016 - \$191,171) and the weighted average number of common shares outstanding of 75,481,662 (three months ended March 31, 2016 - 25,193,375). Diluted loss per share did not include the effect of 7,200,000 options outstanding (three months ended March 31, 2016 - 1,880,000 options outstanding) or the effect of 3,559,154 warrants outstanding (three months ended March 31, 2016 - 1,000,000 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 March 31, 2017, the directors and/or officers of the Company collectively control 10,146,695 common shares of the Company or approximately 13% 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 March 31,	
		2017	2016
Administration expense	(i)	\$ 81,000	\$ 36,000
Accounting expense	(ii)	\$ 16,080	\$ 10,611
Geological consulting expense	(iii)	\$ 24,000	\$ 5,600

(i) For the three months ended March 31, 2017, the Company incurred consulting fees from companies controlled by officers of \$81,000 (three months ended March 31, 2016 - \$36,000) recorded in administration fees. As at March 31, 2017, \$40,828 (December 31, 2016 - \$30,274) is included in advances, prepaid expenses and deposits.

(ii) For the three months ended March 31, 2017, the Company incurred accounting expenses from companies related to an officer of \$16,080 (three months ended March 31, 2016 - \$10,611) recorded in professional fees.

(iii) For the three months ended March 31, 2017, the Company incurred geological consulting expenses from a company controlled by a former officer and a company controlled by current officer of \$24,000 (three months ended March 31, 2016 - \$5,600) recorded in administration fees.

(iv) See notes 5 and 6.

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11. Related party balances and transactions (continued)

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

(v) As at March 31, 2017, included in accounts payable and accrued liabilities is \$14,471 (December 31, 2016 - \$16,289) due to directors and key management. These amounts are unsecured, non-interest bearing and due on demand.

	As at March 31, 2017	As at December 31, 2016
Chief Executive Officer (Former) and Director	\$ 6,905	\$ 8,723
Chief Financial Officer	7,566	7,566
	\$ 14,471	\$ 16,289

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

	Three months ended March 31,	
	2017	2016
Fees charged:		
Chief Executive Officer (Former) and Director	\$ 36,000	\$ 36,000
Chief Executive Officer and Director	45,000	-
Chief Financial Officer	16,080	10,611
VP Exploration and Director	24,000	-
VP Exploration (Former)	-	5,600
Total remuneration	\$ 121,080	\$ 52,211

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. See also note 13.

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:

March 31, 2017	Canada	Chile	Total
Equipment	\$ -	\$ 7,930	\$ 7,930
Mineral exploration properties	3,476,948	5,581,794	9,058,742
	\$ 3,476,948	\$ 5,589,724	\$ 9,066,672
December 31, 2016	Canada	Chile	Total
Equipment	\$ -	\$ 8,573	\$ 8,573
Mineral exploration properties	3,510,711	4,833,084	8,343,795
	\$ 3,510,711	\$ 4,841,657	\$ 8,352,368

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12. Segmented information (continued)

The following tables summarizes the net loss by geographic segment:

Three months ended March 31, 2017	Canada	Chile	Total
Administrative expenses			
Administration fees	\$ 121,056	\$ 3,383	\$ 124,439
Amortization	-	643	643
Bank and interest charges	29,113	1,141	30,254
Foreign exchange loss (gain)	3,225	(79,282)	(76,057)
Investor relations	25,475	-	25,475
Office and miscellaneous	13,663	15,431	29,094
Professional fees	21,080	2,994	24,074
Share-based payments	57,460	-	57,460
Transfer agent and regulatory	14,253	-	14,253
Travel, promotion and mining shows	19,929	-	19,929
Net operating loss before other items	(305,254)	55,690	(249,564)
Other items			
Unrealized loss on warrant liability	2,376	-	2,376
Net loss and comprehensive loss for the period	\$ (302,878)	\$ 55,690	\$ (247,188)

Three months ended March 31, 2016	Canada	Chile	Total
Administrative expenses			
Administration fees	\$ 46,063	\$ 3,265	\$ 49,328
Amortization	-	919	919
Bank and interest charges	44,122	566	44,688
Foreign exchange loss (gain)	997	(1,859)	(862)
Investor relations	17,541	-	17,541
Office and miscellaneous	10,456	25,201	35,657
Professional fees	14,519	9,710	24,229
Transfer agent and regulatory	10,773	-	10,773
Travel, promotion and mining shows	8,898	-	8,898
Net loss and comprehensive loss for the period	\$ (153,369)	\$ (37,802)	\$ (191,171)

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.

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Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

13. Commitments and contingencies (continued)

Property taxes

As at March 31, 2017, the Company has unpaid property tax for various mineral exploration property claims totaling approximately 196,000,000 Chilean Pesos (\$390,000) (March 31, 2016 - 196,000,000 Chilean Pesos (\$393,000) which has been included in accounts payable and accrued liabilities as at March 31, 2017. In the event that the claims are put up for tax auction, the Company will have a notice period to make the payment for the portion of this amount required. The Company will also be required to pay property taxes for fiscal 2017 on its mineral property claims of approximately 28,960,000 Chilean Pesos (\$58,000).

During the period, the Company was advised that its Tierra de Oro and Zulema claims were scheduled to be put up for auction in May 2017 as a result of non-payment of property taxes related to the years 2010 to 2013. The Company filed applications, as permitted by the relevant statutes, to forgive these back taxes which was accepted. Therefore the 2010 to 2013 property taxes are no longer owing.

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 or change of control, the Chief Executive Officer is entitled to two times 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 or change of control, 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.

These amounts have not been accrued as the triggering event has not occurred.

14. Subsequent event

Subsequent to March 31, 2017, the Company announced it intends to complete a private placement of \$1,500,000 through the issuance of 10,000,000 units. Each unit will cost \$0.15 and is comprised of one share and one half of one share purchase warrant. Each whole purchase warrant and \$0.20 will enable the holder to acquire an additional common share at anytime until June 1 2019 subject to companies ability to accelerate the warrants should stock trade above \$0.30 for a prescribed period of time.

The issue is non-brokered, however participating brokers will be paid a fee of 8% and have an ability to acquire an additional 8% of units sold for a period of one year from date of issuance. An over-allotment of \$500,000 has been reserved.