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**CHILEAN METALS INC.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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**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, 2017	As at December 31, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 422,012	\$ 535,281
Marketable securities (note 5)	33,668	33,668
Amounts receivable	29,956	38,864
Advances, prepaid expenses and deposits (note 11)	314,676	99,591
<b>Total current assets</b>	<b>800,312</b>	<b>707,404</b>
<b>Non-current assets</b>		
Equipment (note 4)	6,644	8,573
Mineral exploration properties (note 5)	9,153,208	8,343,795
<b>Total assets</b>	<b>\$ 9,960,164</b>	<b>\$ 9,059,772</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 11(a)(viii) and 13)	\$ 872,468	\$ 576,996
Warrant liability (note 9)	62	5,432
<b>Total current liabilities</b>	<b>872,530</b>	<b>582,428</b>
<b>Non-current liabilities</b>		
Debentures payable (note 6)	268,024	111,606
<b>Total liabilities</b>	<b>1,140,554</b>	<b>694,034</b>
<b>Shareholders' equity</b>		
Issued capital (note 7)	54,349,410	54,299,990
Shares to be issued	1,212,350	-
Contributed surplus	4,190,817	4,131,363
Warrants (note 9)	212,573	126,782
Deficit	(51,145,540)	(50,192,397)
<b>Total shareholders' equity</b>	<b>8,819,610</b>	<b>8,365,738</b>
<b>Total equity and liabilities</b>	<b>\$ 9,960,164</b>	<b>\$ 9,059,772</b>

**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.

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**Chilean Metals Inc.****Condensed Consolidated Interim Statements of Loss and Comprehensive Loss****(Expressed in Canadian Dollars)****(Unaudited)**

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Administrative expenses</b>				
Administration fees (note 11)	\$ 111,176	\$ 120,579	\$ 343,998	\$ 426,421
Amortization (note 4)	643	919	1,929	2,757
Bank and interest charges (note 6)	116,155	35,611	182,588	117,031
Foreign exchange loss (gain)	4,255	6,999	(79,587)	22,901
Investor relations	92,265	24,587	181,216	48,107
Office and miscellaneous	19,281	37,826	116,086	107,388
Professional fees (note 11)	22,633	34,264	66,490	79,597
Share-based payments (note 8)	80	96,605	59,454	314,845
Transfer agent and regulatory	5,784	9,179	26,482	27,382
Travel, promotion and mining shows	27,815	9,706	59,857	21,045
Net operating loss before other items	<b>(400,087)</b>	<b>(376,275)</b>	<b>(958,513)</b>	<b>(1,167,474)</b>
<b>Other items</b>				
Unrealized gain on warrant liability (note 9)	1,499	-	5,370	-
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (398,588)</b>	<b>\$ (376,275)</b>	<b>\$ (953,143)</b>	<b>\$ (1,167,474)</b>
<b>Basic and diluted net loss per share</b> (note 10)	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b> (note 10)	<b>75,663,055</b>	<b>32,404,912</b>	<b>75,580,340</b>	<b>28,799,143</b>

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,  
2017                      2016

### Operating activities

Net loss for the period	\$ (953,143)	\$ (1,167,474)
Items not affecting cash:		
Amortization	1,929	2,757
Share-based payments	59,454	314,845
Accrued interest	57,393	94,039
Unrealized gain on warrant liability	(5,370)	-
Non-cash working capital items:		
Amounts receivable	8,908	(51,662)
Advances, prepaid expenses and deposits	(215,085)	(81,700)
Accounts payable and accrued liabilities	295,472	94,702
<b>Net cash used in operating activities</b>	<b>(750,442)</b>	<b>(794,493)</b>

### Financing activities

Proceeds on private placement	25,000	700,000
Share issue costs	(875)	(28,190)
Warrants exercised	11,136	-
Shares to be issued	1,212,350	618,348
Repayment of advance from related party	-	(54,000)
Repayment of debentures	-	(30,000)
Loan repayments	-	(94,000)
Issuance of debentures	210,000	150,000
Debentures issue costs	(11,025)	(1,250)
<b>Net cash provided by financing activities</b>	<b>1,446,586</b>	<b>1,260,908</b>

### Investing activities

Acquisition of and expenditures on mineral exploration properties	(809,413)	(305,597)
<b>Net cash used in investing activities</b>	<b>(809,413)</b>	<b>(305,597)</b>
<b>Net change in cash</b>	<b>(113,269)</b>	<b>160,818</b>
<b>Cash, beginning of period</b>	<b>535,281</b>	<b>456</b>
<b>Cash, end of period</b>	<b>\$ 422,012</b>	<b>\$ 161,274</b>

### Supplemental disclosures

Common shares issued for property interest	\$ -	\$ 780,000
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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 Changes in Equity (Expressed in Canadian Dollars) (Unaudited)

	Common Shares		Shares to be issued	Contributed Surplus	Warrants	Deficit	Total
	Number	Amount					
<b>Balance, December 31, 2015</b>	<b>25,193,374</b>	<b>\$ 48,385,997</b>	<b>\$ -</b>	<b>\$ 3,392,781</b>	<b>\$ 72,898</b>	<b>\$(48,131,563)</b>	<b>\$ 3,720,113</b>
Private placements	10,000,000	700,000	618,348	-	-	-	1,318,348
Share issuance cost	-	(47,445)	-	-	19,255	-	(28,190)
Exercise of warrants	2,807,260	141,508	-	-	-	-	141,508
Fair value of warrants exercised	-	68,260	-	-	(68,260)	-	-
Shares issued for mineral exploration properties	6,000,000	780,000	-	-	-	-	780,000
Warrants issued on debentures	-	-	-	-	78,101	-	78,101
Share-based payments	-	-	-	314,845	-	-	314,845
Net comprehensive loss for the period	-	-	-	-	-	(1,167,474)	(1,167,474)
<b>Balance, September 30, 2016</b>	<b>44,000,634</b>	<b>\$ 50,028,320</b>	<b>\$ 618,348</b>	<b>\$ 3,707,626</b>	<b>\$ 101,994</b>	<b>\$(49,299,037)</b>	<b>\$ 5,157,251</b>
<b>Balance, December 31, 2016</b>	<b>75,337,298</b>	<b>\$ 54,299,990</b>	<b>\$ -</b>	<b>\$ 4,131,363</b>	<b>\$ 126,782</b>	<b>\$(50,192,397)</b>	<b>\$ 8,365,738</b>
Private placement	166,667	25,000	-	-	-	-	25,000
Share issuance cost	-	(875)	-	-	-	-	(875)
Shares to be issued	-	-	1,212,350	-	-	-	1,212,350
Share-based payments	-	-	-	59,454	-	-	59,454
Warrants issued on debentures	-	-	-	-	99,950	-	99,950
Exercise of warrants	159,090	11,136	-	-	-	-	11,136
Value of warrants exercised	-	14,159	-	-	(14,159)	-	-
Net comprehensive loss for the period	-	-	-	-	-	(953,143)	(953,143)
<b>Balance, September 30, 2017</b>	<b>75,663,055</b>	<b>\$ 54,349,410</b>	<b>\$ 1,212,350</b>	<b>\$ 4,190,817</b>	<b>\$ 212,573</b>	<b>\$(51,145,540)</b>	<b>\$ 8,819,610</b>

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

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# CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Three and Nine Months Ended September 30, 2017  
(Expressed in Canadian Dollars)  
(Unaudited)

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## 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 the Canadian Venture Building, 82 Richmond Street East, Suite 202, Toronto, Ontario, M5C 1P1. 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.

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, 2017, the Company incurred a net loss of \$398,588 and \$953,143, respectively (three and nine months ended September 30, 2016 - \$376,275 and \$1,167,474, respectively). As at September 30, 2017, the Company has incurred significant losses since inception totaling \$51,145,540 (December 31, 2016 - \$50,192,397). As at September 30, 2017, the Company has a working capital deficiency of \$72,218 (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.

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# CHILEAN METALS INC.

## Notes to Condensed Consolidated Interim Financial Statements Three and Nine Months Ended September 30, 2017 (Expressed in Canadian Dollars) (Unaudited)

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### 2. Basis of presentation

These unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 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 and nine months ended September 30, 2017 were approved and authorized for issue by the Company's Board of Directors on November 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 November 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 and Nine Months Ended September 30, 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, September 30, 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	897	1,032	1,929
Balance, September 30, 2017	\$ 80,183	\$ 120,127	\$ 200,310

### *Net book value*

	Field equipment	Furniture and office equipment	Total
At December 31, 2016	\$ 3,992	\$ 4,581	\$ 8,573
At September 30, 2017	\$ 3,095	\$ 3,549	\$ 6,644

## CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Three and Nine Months Ended September 30, 2017  
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### 5. Mineral exploration properties

	Tierra de Oro	Zulema	Nova Scotia	Other	Total
<b>Balance, December 31, 2015</b>	<b>\$ 4,569,452</b>	<b>\$ 279,826</b>	<b>\$ -</b>	<b>\$ 48,587</b>	<b>\$ 4,897,865</b>
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)
<b>Balance, December 31, 2016</b>	<b>4,397,450</b>	<b>435,634</b>	<b>3,510,711</b>	<b>-</b>	<b>8,343,795</b>
Property option proceeds	-	-	(33,763)	-	(33,763)
Exploration					
Field costs	-	37,136	-	-	37,136
Drilling	-	641,443	-	-	641,443
Geological	-	123,196	-	-	123,196
Claim costs	11,777	29,624	-	-	41,401
Exploration and acquisition costs 2017	11,777	831,399	(33,763)	-	809,413
<b>Balance, September 30, 2017</b>	<b>\$ 4,409,227</b>	<b>\$ 1,267,033</b>	<b>\$ 3,476,948</b>	<b>\$ -</b>	<b>\$ 9,153,208</b>

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 nine months ended September 30, 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. 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 September 30, 2018, 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.

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# CHILEAN METALS INC.

## Notes to Condensed Consolidated Interim Financial Statements Three and Nine Months Ended September 30, 2017 (Expressed in Canadian Dollars) (Unaudited)

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### 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 September 30, 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.

(c) During the nine months ended September 30, 2017, the Company entered into a short-term loan agreement for \$175,000 with a shareholder of the Company, which was repaid prior to September 30, 2017. The loan bore interest at 14% per annum and included fees of \$10,000.

### 7. Issued capital

#### a) Authorized share capital

At September 30, 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
<b>Balance, December 31, 2015</b>	<b>25,193,374</b>	<b>\$ 48,385,997</b>
Private placement (i)	10,000,000	700,000
Share issuance costs (i)	-	(47,445)
Shares issued for mineral exploration properties (ii)	6,000,000	780,000
Exercise of warrants (note 9)	2,807,260	141,508
Value of warrants exercised (note 9)	-	68,260
<b>Balance, September 30, 2016</b>	<b>44,000,634</b>	<b>\$ 50,028,320</b>

## CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Three and Nine Months Ended September 30, 2017  
(Expressed in Canadian Dollars)  
(Unaudited)

### 7. Issued capital (continued)

b) Common shares issued (continued)

<b>Balance, December 31, 2016</b>	<b>75,337,298</b>	<b>\$ 54,299,990</b>
Private placement (iii)	166,667	25,000
Share issuance costs (iii)	-	(875)
Exercise of warrants (note 9)	159,090	11,136
Value of warrants exercised (note 9)	-	14,159
<b>Balance, September 30, 2017</b>	<b>75,663,055</b>	<b>\$ 54,349,410</b>

(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 216,350 finders' warrants entitling the holder to acquire common shares at a price of \$0.07 per share until June 1, 2017.

The 216,350 warrants were valued at 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); expected dividend yield - nil; expected life - 1 year.

(ii) In June 2016, completed the acquisition of the Fox River Property through the issuance of 6,000,000 shares (valued at \$780,000).

(iii) 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:

	<b>Number of stock options</b>	<b>Weighted average exercise price (\$)</b>
<b>Balance, December 31, 2015</b>	<b>1,880,000</b>	<b>0.25</b>
Expired	(240,000)	0.25
Granted (i)	2,360,000	0.12
<b>Balance, September 30, 2016</b>	<b>4,000,000</b>	<b>0.17</b>

# CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements  
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## 8. Stock options (continued)

<b>Balance, December 31, 2016</b>	<b>6,850,000</b>	<b>0.16</b>
Granted (ii), (iii)	350,000	0.18
<b>Balance, September 30, 2017</b>	<b>7,200,000</b>	<b>0.16</b>

(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); expected dividend yield - nil; expected life - 5 years.

(ii) 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.

(iii) 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.

The following table reflects the actual stock options issued and outstanding as of September 30, 2017:

<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>Remaining contractual life (years)</b>	<b>Number of options outstanding</b>	<b>Number of exercisable options</b>
July 4, 2018	0.20	0.76	200,000	200,000
June 11, 2019	0.25	1.70	1,640,000	1,640,000
January 19, 2019	0.18	1.30	200,000	200,000
May 27, 2021	0.09	3.66	1,600,000	1,600,000
July 4, 2021	0.15	3.66	200,000	200,000
September 6, 2021	0.17	3.76	360,000	360,000
November 14, 2021	0.15	4.13	2,850,000	2,850,000
March 20, 2022	0.17	4.47	150,000	150,000
		<b>3.28</b>	<b>7,200,000</b>	<b>7,200,000</b>

# CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements  
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## 9. Warrants

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

	Number of warrants	Weighted average exercise price (\$)
<b>Balance, December 31, 2015</b>	<b>3,150,000</b>	<b>0.05</b>
Granted (notes 6 (a) and 7 (b)(i))	1,716,350	0.11
Exercised	(2,807,260)	0.05
<b>Balance, September 30, 2016</b>	<b>2,059,090</b>	<b>0.10</b>
<b>Balance, December 31, 2016</b>	<b>2,081,029</b>	<b>0.12</b>
Granted (note 6 (b))	1,500,000	0.18
Exercised	(159,090)	0.07
<b>Balance, September 30, 2017</b>	<b>3,421,939</b>	<b>0.15</b>

The following table reflects the actual warrants issued as of September 30, 2017:

Number of warrants outstanding	Grant date fair value (\$)	Exercise price (\$)	Expiry date
229,771	16,566	0.15	October 24, 2017 <sup>(2)</sup>
10,416	732	USD0.12 <sup>(1)</sup>	October 24, 2017 <sup>(2)</sup>
146,579	17,956	0.15	December 30, 2017
35,173	4,210	USD0.12 <sup>(1)</sup>	December 30, 2017
1,500,000	78,101	0.12	October 31, 2018
1,500,000	99,950	0.18	October 31, 2018
<b>3,421,939</b>	<b>217,515</b>	<b>0.15</b>	

(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 September 30, 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 123%; risk free interest rate of 0.80%; and an expected life of 0.46 years. As a result, the fair value of the warrants was estimated to be \$62.

(2) Expired subsequent to September 30, 2017.

## 10. Net loss per share

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2017 was based on the loss attributable to common shareholders of \$398,588 and \$953,143, respectively (three and nine months ended September 30, 2016 - \$376,275 and \$1,167,474, respectively) and the weighted average number of common shares outstanding of 75,663,055 and 75,580,340, respectively (three and nine months ended September 30, 2016 - 32,404,912 and 28,799,143, respectively). Diluted loss per share did not include the effect of 7,200,000 options outstanding (three and nine months ended September 30, 2016 - 4,000,000 options outstanding) or the effect of 3,421,939 warrants outstanding (three and nine months ended September 30, 2016 - 2,059,090 warrants outstanding) as they are anti-dilutive.

# CHILEAN METALS INC.

## Notes to Condensed Consolidated Interim Financial Statements Three and Nine Months Ended September 30, 2017 (Expressed in Canadian Dollars) (Unaudited)

### 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, 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 September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
Administration expense	(i)	\$ 81,000	\$ 81,000	\$ 243,000	\$ 198,000
Accounting expense	(ii)	\$ 11,033	\$ 11,379	\$ 38,456	\$ 33,351
Geological consulting expense	(iii)	\$ 24,000	\$ 24,000	\$ 72,000	\$ 41,600
Consulting expense	(iv)	\$ -	\$ -	\$ -	\$ 12,000
Bonus	(v)	\$ -	\$ -	\$ -	\$ 144,000

(i) For the three and nine months ended September 30, 2017, the Company incurred consulting fees from companies controlled by officers of \$81,000 and \$243,000 (three and nine months ended September 30, 2016 - \$81,000 and \$198,000) recorded in administration fees. As at September 30, 2017, \$9,334 (December 31, 2016 - \$30,274) is included in advances, prepaid expenses and deposits.

(ii) For the three and nine months ended September 30, 2017, the Company incurred accounting expenses from companies related to an officer of \$11,033 and \$38,456 (three and nine months ended September 30, 2016 - \$11,379 and \$33,351) recorded in professional fees.

(iii) For the three and nine months ended September 30, 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 and \$72,000 (three and nine months ended September 30, 2016 - \$24,000 and \$41,600) recorded in administration fees.

(iv) For the three and nine months ended September 30, 2017, the Company incurred consulting expenses from a director of \$nil (three and nine months ended September 30, 2016 - \$12,000) recorded in administration fees.

(v) During the three and nine months ended September 30, 2017, 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) A director and former officer of the Company purchased 1,096,000 common shares in the May 17, 2016 private placement (see note 7(b)(i)) and 200,000 common shares in the November 1, 2016 private placement (see note 7(b)(ii)).

(vii) See notes 5 and 6.

# CHILEAN METALS INC.

## Notes to Condensed Consolidated Interim Financial Statements Three and Nine Months Ended September 30, 2017 (Expressed in Canadian Dollars) (Unaudited)

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

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

(viii) As at September 30, 2017, included in accounts payable and accrued liabilities is \$28,526 (December 31, 2016 - \$16,289) due to directors and key management. These amounts are unsecured, non-interest bearing and due on demand.

	As at September 30, 2017	As at December 31, 2016
Chief Executive Officer (Former) and Director	\$ 1,560	\$ 8,723
Chief Financial Officer	6,561	7,566
VP Exploration (Former)	20,405	-
	\$ 28,526	\$ 16,289

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
<b>Fees charged:</b>				
Directors	\$ -	\$ -	\$ -	\$ 12,000
Chief Executive Officer (Former) and Director	36,000	36,000	108,000	252,000
Chief Executive Officer, President and Director	45,000	45,000	135,000	90,000
Chief Financial Officer	11,033	11,379	38,456	33,351
VP Exploration and Director	24,000	24,000	72,000	36,000
VP Exploration (Former)	-	-	-	5,600
<b>Share-based benefits:</b>				
Chief Executive Officer, President and Director	-	-	-	136,400
VP Exploration and Director	-	-	-	81,840
Total remuneration	\$ 116,033	\$ 116,379	\$ 353,456	\$ 647,191

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:

September 30, 2017	Canada	Chile	Total
Equipment	\$ -	\$ 6,644	\$ 6,644
Mineral exploration properties	3,476,948	5,676,260	9,153,208
	\$ 3,476,948	\$ 5,682,904	\$ 9,159,852

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### 12. Segmented information (continued)

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

The following tables summarizes the net loss by geographic segment:

Three months ended September 30, 2017	Canada	Chile	Total
<b>Administrative expenses</b>			
Administration fees	\$ 108,228	\$ 2,948	\$ 111,176
Amortization	-	643	643
Bank and interest charges	32,122	84,033	116,155
Foreign exchange loss (gain)	(4,130)	8,385	4,255
Investor relations	92,265	-	92,265
Office and miscellaneous	4,745	14,536	19,281
Professional fees	18,994	3,639	22,633
Share-based payments	80	-	80
Transfer agent and regulatory	5,784	-	5,784
Travel, promotion and mining shows	27,815	-	27,815
Net operating loss before other items	(285,903)	(114,184)	(400,087)
<b>Other items</b>			
Unrealized gain on warrant liability	1,499	-	1,499
<b>Net loss and comprehensive loss for the period</b>	\$ (284,404)	\$ (114,184)	\$ (398,588)

Three months ended September 30, 2016	Canada	Chile	Total
<b>Administrative expenses</b>			
Administration fees	\$ 120,533	\$ 46	\$ 120,579
Amortization	-	919	919
Bank and interest charges	34,879	732	35,611
Foreign exchange loss (gain)	(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
<b>Net loss and comprehensive loss for the period</b>	\$ (318,440)	\$ (57,835)	\$ (376,275)

## CHILEAN METALS INC.

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### 12. Segmented information (continued)

<b>Nine months ended September 30, 2017</b>	<b>Canada</b>	<b>Chile</b>	<b>Total</b>
<b>Administrative expenses</b>			
Administration fees	\$ 334,283	\$ 9,715	\$ 343,998
Amortization	-	1,929	1,929
Bank and interest charges	75,813	106,775	182,588
Foreign exchange gain	(1,378)	(78,209)	(79,587)
Investor relations	181,216	-	181,216
Office and miscellaneous	37,234	78,852	116,086
Professional fees	56,873	9,617	66,490
Share-based payments	59,454	-	59,454
Transfer agent and regulatory	26,482	-	26,482
Travel, promotion and mining shows	59,857	-	59,857
<b>Net operating loss before other items</b>	<b>(829,834)</b>	<b>(128,679)</b>	<b>(958,513)</b>
<b>Other items</b>			
Unrealized gain on warrant liability	5,370	-	5,370
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (824,464)</b>	<b>\$ (128,679)</b>	<b>\$ (953,143)</b>

<b>Nine months ended September 30, 2016</b>	<b>Canada</b>	<b>Chile</b>	<b>Total</b>
<b>Administrative expenses</b>			
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
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (1,024,468)</b>	<b>\$ (143,006)</b>	<b>\$ (1,167,474)</b>

### 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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# CHILEAN METALS INC.

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## 13. Commitments and contingencies (continued)

### Property taxes

As at September 30, 2017, the Company has unpaid property tax for various mineral exploration property claims totaling approximately 196,000,000 Chilean Pesos (\$382,000) (September 30, 2016 - 196,000,000 Chilean Pesos (\$393,000) which has been included in accounts payable and accrued liabilities as at September 30, 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 (\$56,000).

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 events

(i) Subsequent to September 30, 2017, the Company closed a non-brokered private placement of \$698,100 through the issuance of 4,654,000 units. Each unit cost \$0.15 and was 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.

In connection with the financing, the Company paid finder's fees of \$12,000 and issued 80,000 finders' warrants entitling the holder to units at a price of \$0.15 per share until June 1, 2019 subject to companies ability to accelerate the warrants should stock trade above \$0.30 for a prescribed period of time.

(ii) Subsequent to September 30, 2017, the Company closed the first tranche of a non-brokered private placement of \$551,900 through the issuance of 5,519,000 units. Each unit cost \$0.10 and was comprised of one share and one half of one share purchase warrant. Each whole purchase warrant and \$0.18 will enable the holder to acquire an additional common share for 24 months from grant subject to companies ability to accelerate the warrants should stock trade above \$0.36 for a prescribed period of time.