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**CHILEAN METALS INC.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**THREE AND SIX MONTHS ENDED JUNE 30, 2020**  
**(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)

|  | June 30,<br>2020   | December 31,<br>2019 |
|--|--------------------|----------------------|
| <b>ASSETS</b>  |                    |                      |
| <b>Current assets</b>                                      |                    |                      |
| Cash   | \$ 4,103           | \$ 7,438             |
| Amounts receivable   | 31,898             | 2,893                |
| Advances, prepaid expenses and deposits                    | 53,639             | 78,817               |
| <b>Total current assets</b>                                | <b>89,640</b>      | 89,148               |
| <b>Non-current assets</b>                                  |                    |                      |
| Equipment (note 4)   | 3,904              | 4,604                |
| <b>Total assets</b>  | <b>\$ 93,544</b>   | \$ 93,752            |
| <b>LIABILITIES AND EQUITY</b>                              |                    |                      |
| <b>Current liabilities</b>                                 |                    |                      |
| Accounts payable and accrued liabilities (notes 12 and 14) | 1,439,388          | 1,364,224            |
| Due to related parties (note 12)                           | 437,017            | 380,612              |
| Debentures payable (note 6)                                | 520,458            | 472,392              |
| Advances from shareholders (note 12)                       | 662,569            | 477,000              |
| <b>Total current liabilities</b>                           | <b>3,059,432</b>   | 2,694,228            |
| <b>Non-current liabilities</b>                             |                    |                      |
| Other liabilities (note 7)                                 | 69,554             | 69,554               |
| <b>Total liabilities</b>                                   | <b>3,128,986</b>   | 2,763,782            |
| <b>Shareholders' deficiency</b>                            |                    |                      |
| Issued capital (note 8)                                    | 56,307,489         | 56,307,489           |
| Contributed surplus  | 3,608,887          | 3,608,887            |
| Warrants (note 10)   | 728,200            | 728,200              |
| Deficit  | (63,680,018)       | (63,314,606)         |
| <b>Total shareholders' deficiency</b>                      | <b>(3,035,442)</b> | (2,670,030)          |
| <b>Total liabilities and shareholders' deficiency</b>      | <b>\$ 93,544</b>   | \$ 93,752            |

Nature of operations and going concern (note 1)

Commitments and contingencies (notes 5, 6)

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)**

|   | Three months ended<br>June 30, |                     | Six months ended<br>June 30, |                     |
|---|--------------------------------|---------------------|------------------------------|---------------------|
|   | 2020                           | 2019                | 2020                         | 2019                |
| <b>Administrative expenses</b>  |                                |                     |                              |                     |
| Administration fees (note 12)   | \$ 77,847                      | \$ 55,686           | \$ 164,900                   | \$ 133,761          |
| Amortization (note 4)   | 350                            | 1,083               | 700                          | 1,398               |
| Interest (note 6)   | 14,624                         | 24,825              | 53,086                       | 47,987              |
| Exploration expenditures (note 5)   | 17,543                         | 91,181              | 33,642                       | 107,505             |
| Foreign exchange gain   | (25,582)                       | (2,766)             | (13,065)                     | (713)               |
| Investor relations  | -                              | 44,448              | 28,125                       | 100,217             |
| Office and miscellaneous  | 8,821                          | 5,876               | 10,593                       | 9,918               |
| Professional fees (note 12)   | 34,599                         | 53,217              | 68,935                       | 83,261              |
| Transfer agent and regulatory   | 6,217                          | -                   | 9,034                        | 7,750               |
| Travel, promotion and mining shows  | 3,009                          | -                   | 9,462                        | 144                 |
| <b>Net loss and comprehensive loss for the period</b>   | <b>\$ (137,428)</b>            | <b>\$ (273,550)</b> | <b>\$ (365,412)</b>          | <b>\$ (491,228)</b> |
| <b>Basic and diluted net loss per share (note 11)</b>   | <b>\$ (0.01)</b>               | <b>\$ (0.02)</b>    | <b>\$ (0.03)</b>             | <b>\$ (0.03)</b>    |
| <b>Weighted average number of common shares<br/>outstanding - basic and diluted (note 11)</b> | <b>14,161,976</b>              | <b>14,161,976</b>   | <b>14,161,976</b>            | <b>14,161,976</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.****Condensed Consolidated Interim Statements of Cash Flows****(Expressed in Canadian Dollars)****(Unaudited)**

|  | <b>Six months ended<br/>June 30,</b> |                  |
|--|--------------------------------------|------------------|
|  | <b>2020</b>                          | <b>2019</b>      |
| <b>Operating activities</b>                      |                                      |                  |
| Net loss for the period                          | \$ (365,412)                         | \$ (491,228)     |
| Items not affecting cash:                        |                                      |                  |
| Amortization                                     | 700                                  | 1,398            |
| Accrued interest                                 | 53,086                               | 46,462           |
| Unrealized foreign exchange gain                 | (5,020)                              | -                |
| Non-cash working capital items:                  |                                      |                  |
| Amounts receivable                               | (29,005)                             | 2,773            |
| Advances, prepaid expenses and deposits          | 25,178                               | 61,329           |
| Accounts payable and accrued liabilities         | 75,164                               | (43,375)         |
| Advances from related parties                    | 56,405                               | -                |
| <b>Net cash used in operating activities</b>     | <b>(188,904)</b>                     | <b>(422,641)</b> |
| <b>Financing activities</b>                      |                                      |                  |
| Advances from shareholders                       | 185,569                              | 441,525          |
| <b>Net cash provided by financing activities</b> | <b>185,569</b>                       | <b>441,525</b>   |
| <b>Investing activities</b>                      |                                      |                  |
| Purchase of equipment                            | -                                    | (3,021)          |
| <b>Net cash used in investing activities</b>     | <b>-</b>                             | <b>(3,021)</b>   |
| <b>Net change in cash</b>                        | <b>(3,335)</b>                       | <b>15,863</b>    |
| <b>Cash, beginning of period</b>                 | <b>7,438</b>                         | <b>29,960</b>    |
| <b>Cash, end of period</b>                       | <b>\$ 4,103</b>                      | <b>\$ 45,823</b> |
| <b>Supplemental disclosures</b>                  |                                      |                  |
| Expiry of options                                | \$ -                                 | \$ 28,320        |

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 Changes in Equity (Deficiency)****(Expressed in Canadian Dollars)****(Unaudited)**

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|                                       | <u>Common Shares</u> |                      | Shares to<br>be issued | Contributed<br>Surplus | Warrants          | Deficit               | Total                 |
|---------------------------------------|----------------------|----------------------|------------------------|------------------------|-------------------|-----------------------|-----------------------|
|                                       | Number               | Amount               |                        |                        |                   |                       |                       |
| <b>Balance, December 31, 2018</b>     | <b>14,161,976</b>    | <b>\$ 56,307,489</b> | <b>\$ -</b>            | <b>\$ 3,811,387</b>    | <b>\$ 971,731</b> | <b>\$(62,569,941)</b> | <b>\$ (1,479,334)</b> |
| Option expiry                         | -                    | -                    | -                      | (202,500)              | -                 | 202,500               | -                     |
| Value of warrants expired             | -                    | -                    | -                      | -                      | (106,874)         | 106,874               | -                     |
| Net comprehensive loss for the period | -                    | -                    | -                      | -                      | -                 | (491,228)             | (491,228)             |
| <b>Balance, June 30, 2019</b>         | <b>14,161,976</b>    | <b>\$ 56,307,489</b> | <b>\$ -</b>            | <b>\$ 3,608,887</b>    | <b>\$ 864,857</b> | <b>\$(62,751,795)</b> | <b>\$ (1,970,562)</b> |
| <b>Balance, December 31, 2019</b>     | <b>14,161,976</b>    | <b>\$ 56,307,489</b> | <b>\$ -</b>            | <b>\$ 3,608,887</b>    | <b>\$ 728,200</b> | <b>\$(63,314,606)</b> | <b>\$ (2,670,030)</b> |
| Net comprehensive loss for the period | -                    | -                    | -                      | -                      | -                 | (365,412)             | (365,412)             |
| <b>Balance, June 30, 2020</b>         | <b>14,161,976</b>    | <b>\$ 56,307,489</b> | <b>\$ -</b>            | <b>\$ 3,608,887</b>    | <b>\$ 728,200</b> | <b>\$(63,680,018)</b> | <b>\$ (3,035,442)</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 Six Months Ended June 30, 2020 (Expressed in Canadian Dollars) (Unaudited)

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### 1. Nature of operations and going concern

Chilean Metals Inc. (the "Company" or "Chilean") is a mineral exploration company and is in the business of acquiring and exploring mineral properties in Chile. During the three and six months ended June 30, 2020, the Company ceased its exploration efforts in Nova Scotia.

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 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.

In July 2019, the Company completed a share consolidation of all outstanding commons shares on a rollback basis of one post-consolidation common share for every two point five pre-consolidation common shares. All references to the number of shares, warrants, options, exercise price, and per share information has been restated to reflect the effect of the share consolidation, unless otherwise noted.

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 property interests may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty. The Company's Chilean mineral property maintenance payments are in arrears (see note 14) and as a result, the Copiapó Court has been notified by the General Treasury of the Republic of Chile. The Copiapo Court may initiate the auction of the properties. If the Company's claims are put up for auction the Company, as concession holder, is not allowed to place bids on its claims under auction; however, the concession holder may remove a concession from auction by paying the penalty amount which is equal to double the patent amount outstanding. Accordingly, there is a risk that the Company will not be able to retain title to its mineral claims in Chile.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions.

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 six months ended June 30, 2020, the Company incurred a net loss of \$137,428 and \$365,412, respectively (three and six months ended June 30, 2019 - \$273,550 and \$491,228, respectively). As at June 30, 2020, the Company has incurred significant losses since inception totaling \$63,680,018 (December 31, 2019 - \$63,314,606). As at June 30, 2020, the Company has a working capital deficiency of \$2,969,792 (December 31, 2019 - \$2,605,080); 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 Six Months Ended June 30, 2020 (Expressed in Canadian Dollars) (Unaudited)

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### 2. Basis of presentation

These unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2020, 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 International Financial Reporting Standards ("IFRS") for annual financial statements and therefore, should be read in conjunction with the annual audited financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS.

These unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2020, were approved and authorized for issue by the Company's Board of Directors on August 31, 2020.

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 August 31, 2020, 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 annual consolidated financial statements as at and for the year ended December 31, 2019, except as noted below.

#### *New standards adopted*

#### *Definition of a Business (Amendments to IFRS 3)*

The IASB has issued Definition of a Business (Amendments to IFRS 3) to clarify the definition of a business for the purpose of determining whether a transaction should be accounted for as an asset acquisition or a business combination. The amendments:

- clarify the minimum attributes that the acquired assets and activities must have to be considered a business
- remove the assessment of whether market participants can acquire the business and replace missing inputs or processes to enable them to continue to produce outputs;
- narrow the definition of a business and the definition of outputs; and
- add an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business.

There was no material impact as a result of the adoption by the Company of this standard.

# CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Three and Six Months Ended June 30, 2020  
(Expressed in Canadian Dollars)  
(Unaudited)

## 3. Significant accounting policies (continued)

*New standards not yet adopted*

*Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period";
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. There is currently a proposal in place to extend effective date for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

## 4. Equipment

### **Cost**

|                            | Field<br>equipment | Furniture and<br>office equipment | Total      |
|----------------------------|--------------------|-----------------------------------|------------|
| Balance, December 31, 2018 | \$ 83,278          | \$ 123,676                        | \$ 206,954 |
| Additions                  | -                  | 3,021                             | 3,021      |
| Balance, December 31, 2019 | 83,278             | 126,697                           | 209,975    |
| Balance, June 30, 2020     | \$ 83,278          | \$ 126,697                        | \$ 209,975 |

### **Accumulated amortization**

|                            | Field<br>equipment | Furniture and<br>office equipment | Total      |
|----------------------------|--------------------|-----------------------------------|------------|
| Balance, December 31, 2018 | \$ 81,322          | \$ 121,448                        | \$ 202,770 |
| Amortization               | 588                | 2,013                             | 2,601      |
| Balance, December 31, 2019 | 81,910             | 123,461                           | 205,371    |
| Amortization               | 294                | 406                               | 700        |
| Balance, June 30, 2020     | \$ 82,204          | \$ 123,867                        | \$ 206,071 |

### **Net book value**

|                      | Field<br>equipment | Furniture and<br>office equipment | Total    |
|----------------------|--------------------|-----------------------------------|----------|
| At December 31, 2019 | \$ 1,368           | \$ 3,236                          | \$ 4,604 |
| At June 30, 2020     | \$ 1,074           | \$ 2,830                          | \$ 3,904 |



## CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Three and Six Months Ended June 30, 2020  
(Expressed in Canadian Dollars)  
(Unaudited)

### 5. Mineral exploration expenditures

Exploration and acquisition costs for the years ended June 30, 2020 and June 30, 2019 are as follows:

|   | Tierra<br>de Oro | Zulema           | Nova<br>Scotia   | Total             |
|---|------------------|------------------|------------------|-------------------|
| Exploration                                   |                  |                  |                  |                   |
| Claim costs and taxes                         | \$ -             | \$ -             | \$ 48,172        | \$ 48,172         |
| Options payments                              | -                | -                | 5,000            | 5,000             |
| Field costs                                   | -                | 54,333           | -                | 54,333            |
| <b>Exploration and acquisition costs 2019</b> | <b>\$ -</b>      | <b>\$ 54,333</b> | <b>\$ 53,172</b> | <b>\$ 107,505</b> |
| Exploration                                   |                  |                  |                  |                   |
| Claim costs taxes                             | \$ -             | \$ 7,088         | \$ -             | \$ 7,088          |
| Drilling                                      | -                | -                | -                | -                 |
| Field costs                                   | -                | 26,554           | -                | 26,554            |
| Geological                                    | -                | -                | -                | -                 |
| <b>Exploration and acquisition costs 2020</b> | <b>\$ -</b>      | <b>\$ 33,642</b> | <b>\$ -</b>      | <b>\$ 33,642</b>  |

#### (a) *Tierra de Oro, Chile*

Tierra de Oro is an exploration project located in Region III on the eastern flank of Chile's Coastal Iron Oxide Copper Gold belt. The Company owns a 100% interest in exploration concessions in Region III, Chile. See Note 1 for status of claims in Chile.

#### (b) *Zulema also known as Chicharra Property, Chile*

The Company owns 100% of the rights to certain exploitation concessions and certain exploration concessions in Region III, Chile.

The Company dropped all claims related to its Sierra pintada properties, and as a result the Company has no claims as of June 30, 2020 related to these properties. See Note 1 and 14 for status of claims in Chile.

#### (c) *Lynn, Parrsboro and Bass River Properties, Canada*

In 2016, the Company completed the acquisition of the Lynn, Parrsboro and Bass River Properties from Cogonov through the issuance of 2,050,000 shares (valued at \$2,767,500, based on the quoted price of the shares on the acquisition date). The deferred transaction advance received during the year ended December 31, 2015 was netted against the acquisition costs. The Lynn, Parrsboro and Bass River Properties are located in central Nova Scotia, Canada.

During the six months ended June 30, 2020, the Company has ceased its exploration efforts in Nova Scotia.

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## CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Three and Six Months Ended June 30, 2020  
(Expressed in Canadian Dollars)  
(Unaudited)

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### 5. Mineral exploration expenditures (continued)

In 2016, the Company entered into a non-binding letter of intent to joint venture its Bass River project in Nova Scotia with Tejas Gold Company ("Tejas"), a company whose CEO was a director of the Company. Tejas had until May 6, 2018 to earn a 35% working interest in the joint venture. To earn the interest Tejas would have been required to pay a non refundable deposit of USD \$25,000 (received during the year ended December 31, 2017), issue 25,000 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. During the period ended June 30, 2018, the Company agreed to the assignment by Tejas of the agreement to Highlander Resources Corp ("Highlander"). Subsequently in fiscal 2018, the Company concluded that it will not complete a joint venture with Highlander and has now abandoned these discussions. During the year ended December 31, 2018, the Company recorded an impairment on the Tejas stock for the full value of the carrying amount of \$33,668.

During the six months ended June 30, 2020, the Company has dropped the Economy East and the Elk Exploration options and is no longer pursuing exploration in Nova Scotia.

### 6. Debentures and loans

(a) On August 24, 2018, the Company issued \$250,000 of secured debentures with a maturity of August 25, 2019 to a shareholder of the Company. The debenture bears interest at 14% per annum payable up front, \$35,000 was paid as of December 31, 2018. In addition, a finance cost of \$15,000 was paid as of September 30, 2019. As at December 31, 2019 the debenture is due on demand. During the six months ended June 30, 2020, the debenture was extended to August 31, 2020.

The Company valued the debt component of the debentures by calculating the present value of the principal and interest, discounted at a rate of 23%, being management's best estimate of the rate of a debenture with an arm's length creditor with similar terms.

(b) On December 3, 2018, the Company issued \$206,250 secured debentures with a maturity of December 3, 2019; The debentures bear interest at 14% per annum payable up front, \$28,875 was paid as of December 31, 2018. As at December 31, 2019 the debenture is due on demand. During the six months ended June 30, 2020, the debenture was extended to August 31, 2020.

The Company valued the debt component of the debentures by calculating the present value of the principal and interest, discounted at a rate of 30%, being management's best estimate of the rate of a debenture with an arm's length creditor with similar terms.

All debentures were held with shareholders of the Company.

The debentures are secured against all assets of the Company.

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## CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Three and Six Months Ended June 30, 2020  
(Expressed in Canadian Dollars)  
(Unaudited)

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### 6. Debentures and loans (continued)

A reconciliation of the liability component of the debentures is as follows:

|                        | June 30,<br>2020  | Dec 31,<br>2019   |
|------------------------|-------------------|-------------------|
| <b>Opening balance</b> | <b>\$ 472,392</b> | <b>\$ 386,009</b> |
| Interest               | 48,066            | 86,383            |
| <b>Ending balance</b>  | <b>\$ 520,458</b> | <b>\$ 472,392</b> |

### 7. Other liabilities

During the year ended December 31, 2017, the Company transferred \$69,554 of accounts payable (the "Statute-barred Claims") to non-current liabilities on the basis that any claims in respect of the Statute-barred Claims were statute-barred under the Limitations Act (British Columbia). The Statute-barred Claims related to expenses billed by and third party liabilities incurred prior to December 2015. However, for accounting purposes under IFRS, a debt can only be removed from the Company's statement of financial position when it is extinguished meaning only when the contract is discharged or canceled or expires. The effect of the Limitations Act is to prevent a creditor from enforcing an obligation but it does not formally extinguish the debt for accounting purposes. It is the position of management of the Company that the Statute-barred Claims cannot be enforced by the creditors, do not create any obligation for the Company to pay out any cash and do not affect the financial or working capital position of the Company. The Statute-barred Claims are required to be reflected on the Company's statement of financial position as a result of the current interpretation of IFRS, but they are classified as long-term liabilities since the Company has no intention or obligation to pay these Statute-barred Claims and the creditors cannot enforce payment of the Statute-barred Claims. While inclusion of these items is intended solely to comply with the requirements of IFRS, the Company in no way acknowledges any of the Statute-barred Claims.

### 8. Issued capital

On July 3, 2019, the Company completed a share consolidation of its issued and outstanding common shares on the basis of one post-consolidation common share for every two point five (2.5) pre-consolidation common shares. All applicable references to the number of shares, warrants and options, strike price and per share information has been restated to reflect the effect of the share consolidation, unless otherwise noted.

#### a) Authorized share capital

At June 30, 2020, the authorized share capital consisted of an unlimited number of common shares, non-voting Class A preference shares with a par value of \$4.00 and Class B preference shares with a par value of \$20.00. The common shares do not have a par value.

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**CHILEAN METALS INC.**

Notes to Condensed Consolidated Interim Financial Statements  
Three and Six Months Ended June 30, 2020  
(Expressed in Canadian Dollars)  
(Unaudited)

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**8. Issued capital (continued)**

b) Common shares issued

|   | Number of<br>common shares | Amount               |
|---|----------------------------|----------------------|
| <b>Balance, December 31, 2018 and June 30, 2019</b> | <b>14,161,976</b>          | <b>\$ 56,307,489</b> |
| <b>Balance, December 31, 2019 and June 30, 2020</b> | <b>14,161,976</b>          | <b>\$ 56,307,489</b> |

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**9. 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 periods presented:

|   | Number of<br>stock options | Weighted average<br>exercise price (\$) |
|---|----------------------------|---|
| <b>Balance, December 31, 2018</b>                   | <b>445,000</b>             | <b>1.90</b>                             |
| Expired   | (184,000)                  | 1.80                                    |
| <b>Balance, June 30, 2019</b>                       | <b>261,000</b>             | <b>1.90</b>                             |
| <b>Balance, December 31, 2019 and June 30, 2020</b> | <b>261,000</b>             | <b>1.54</b>                             |

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## CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements  
Three and Six Months Ended June 30, 2020  
(Expressed in Canadian Dollars)  
(Unaudited)

### 9. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of June 30, 2020:

| Expiry date       | Exercise price (\$) | Remaining contractual life (years) | Number of options outstanding | Number of exercisable options |
|-------------------|---------------------|------------------------------------|-------------------------------|-------------------------------|
| July 4, 2021      | 1.50                | 1.01                               | 20,000                        | 20,000                        |
| September 6, 2021 | 1.70                | 1.19                               | 36,000                        | 36,000                        |
| November 14, 2021 | 1.50                | 1.37                               | 190,000                       | 190,000                       |
| March 20, 2022    | 1.70                | 1.72                               | 15,000                        | 15,000                        |
|                   | <b>1.54</b>         | <b>1.32</b>                        | <b>261,000</b>                | <b>261,000</b>                |

### 10. Warrants

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

|  | Number of warrants | Weighted average exercise price (\$) |
|--|--------------------|--------------------------------------|
| Balance, December 31, 2018                   | 5,616,250          | 0.58                                 |
| Expired                                      | (232,700)          | 2.00                                 |
| Balance, June 30, 2019                       | 5,383,550          | 0.48                                 |
| Balance, December 31, 2019 and June 30, 2020 | 5,067,300          | 0.45                                 |

The following table reflects the actual warrants issued as of June 30, 2020:

| Number of warrants outstanding | Grant date fair value (\$) | Exercise price (\$) | Expiry date  | Remaining contract life (years) |
|--------------------------------|----------------------------|---------------------|--------------|---------------------------------|
| 1,682,334                      | 241,761                    | 0.45                | June 8, 2023 | 2.94                            |
| 3,384,966                      | 486,439                    | 0.45                | June 8, 2023 | 2.94                            |
| <b>5,067,300</b>               | <b>728,200</b>             | <b>0.45</b>         |              | <b>2.94</b>                     |

### 11. Net loss per share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2020 was based on the loss attributable to common shareholders of \$137,428 and \$365,412, respectively (three and six months ended June 30, 2019 - \$273,550 and \$491,228, respectively) and the weighted average number of common shares outstanding of 14,161,976 and 14,161,976, respectively (three and six months ended June 30, 2019 - 14,161,976 and 14,161,976, respectively). Diluted loss per share did not include the effect of 261,000 options outstanding (three and six months ended June 30, 2019 - 261,000 options outstanding) or the effect of 5,067,300 warrants outstanding (three and six months ended June 30, 2019 - 5,383,550 warrants outstanding) as they are anti-dilutive.

# CHILEAN METALS INC.

## Notes to Condensed Consolidated Interim Financial Statements Three and Six Months Ended June 30, 2020 (Expressed in Canadian Dollars) (Unaudited)

### 12. 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, 2020, the directors and/or officers of the Company collectively control 1,126,842 (December 31 2019 - 1,126,842) common shares of the Company or approximately 8% (December 31, 2019 - 8%) of the total common shares outstanding and an insider of the Company controls 1,533,211 (December 31, 2019 - 1,533,211) common shares of the Company or approximately 11% (December 31, 2019 - 11%) of the total common shares outstanding. To the knowledge of directors and officers of the Company, the remainder of the outstanding common shares are held by diverse shareholders. These holdings can change at any time at the discretion of the owner.

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

|                        | Notes | Three months ended<br>June 30, |           | Six months ended<br>June 30, |            |
|------------------------|-------|--------------------------------|-----------|------------------------------|------------|
|                        |       | 2020                           | 2019      | 2020                         | 2019       |
| Administration expense | (i)   | \$ 50,000                      | \$ 75,000 | \$ 100,000                   | \$ 150,000 |
| Accounting expense     | (ii)  | \$ 9,028                       | \$ 14,878 | \$ 21,171                    | \$ 26,377  |
| Consulting expense     | (iii) | \$ 31,250                      | \$ 31,250 | \$ 62,500                    | \$ 62,500  |

(i) For the three and six months ended June 30, 2020, the Company incurred consulting fees from companies controlled by an officer and a director of \$50,000 and \$100,000 (three and six months ended June 30, 2019 - \$75,000 and \$150,000) recorded in administration fees.

(ii) For the three and six months ended June 30, 2020, the Company incurred accounting expenses from companies related to an officer of \$9,028 and \$21,171 (three and six months ended June 30, 2019 - \$14,878 and \$26,377) recorded in professional fees.

(iii) For the three and six months ended June 30, 2020, the Company incurred consulting expenses from directors and company's controlled by directors of \$31,250 and \$62,500 (three and six months ended June 30, 2019 - \$31,250 and \$62,500) recorded in consulting fees.

(vi) See note 6.

(v) As at June 30, 2020, included in accounts payable and accrued liabilities is \$661,141 (December 31, 2019 - \$405,612) due to directors and key management.

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

|                                      | Three months ended<br>June 30, |           | Six months ended<br>June 30, |            |
|--------------------------------------|--------------------------------|-----------|------------------------------|------------|
|                                      | 2020                           | 2019      | 2020                         | 2019       |
| <b>Fees charged:</b>                 |                                |           |                              |            |
| Directors                            | \$ 31,250                      | \$ 25,000 | \$ 62,500                    | \$ 50,000  |
| Chief Executive Officer and Director | 50,000                         | 50,000    | 100,000                      | 100,000    |
| Chief Financial Officer              | 9,028                          | 14,878    | 21,171                       | 26,377     |
| Total remuneration                   | \$ 90,278                      | \$ 89,878 | \$ 183,671                   | \$ 176,377 |

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.

## CHILEAN METALS INC.

Notes to Condensed Consolidated Interim Financial Statements  
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### 13. 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:

| June 30, 2020 | Canada | Chile    | Total    |
|---------------|--------|----------|----------|
| Equipment     | \$ -   | \$ 3,904 | \$ 3,904 |

| December 31, 2019 | Canada | Chile    | Total    |
|-------------------|--------|----------|----------|
| Equipment         | \$ -   | \$ 4,604 | \$ 4,604 |

| Three months ended June 30, 2020                      | Canada       | Chile       | Total        |
|---|--------------|-------------|--------------|
| <b>Administrative expenses</b>                        |              |             |              |
| Administration fees                                   | \$ 74,288    | \$ 3,559    | \$ 77,847    |
| Amortization  | -            | 350         | 350          |
| Bank and interest charges                             | 14,481       | 143         | 14,624       |
| Exploration and acquisition costs                     | 7,088        | 10,455      | 17,543       |
| Foreign exchange loss (gain)                          | (22,404)     | (3,178)     | (25,582)     |
| Office and miscellaneous                              | 8,363        | 458         | 8,821        |
| Professional fees                                     | 31,910       | 2,689       | 34,599       |
| Transfer agent and regulatory                         | 6,217        | -           | 6,217        |
| Travel, promotion and mining shows                    | 3,009        | -           | 3,009        |
| <b>Net loss and comprehensive loss for the period</b> | \$ (122,952) | \$ (14,476) | \$ (137,428) |

| Three months ended June 30, 2019                      | Canada       | Chile       | Total        |
|---|--------------|-------------|--------------|
| <b>Administrative expenses</b>                        |              |             |              |
| Administration fees                                   | \$ 50,447    | \$ 5,239    | \$ 55,686    |
| Amortization  | -            | 1,083       | 1,083        |
| Bank and interest charges                             | 24,212       | 613         | 24,825       |
| Exploration and acquisition costs                     | 53,172       | 38,009      | 91,181       |
| Foreign exchange loss (gain)                          | (2,766)      | -           | (2,766)      |
| Investor relations                                    | 44,448       | -           | 44,448       |
| Office and miscellaneous                              | 1,521        | 4,355       | 5,876        |
| Professional fees                                     | 40,741       | 12,476      | 53,217       |
| <b>Net loss and comprehensive loss for the period</b> | \$ (211,775) | \$ (61,775) | \$ (273,550) |

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**CHILEAN METALS INC.****Notes to Condensed Consolidated Interim Financial Statements****Three and Six Months Ended June 30, 2020****(Expressed in Canadian Dollars)****(Unaudited)**

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**13. Segmented information (continued)**

The following tables summarize the net loss by geographic segment:

| <b>Six months ended June 30, 2020</b>                 | <b>Canada</b>       | <b>Chile</b>       | <b>Total</b>        |
|---|---------------------|--------------------|---------------------|
| <b>Administrative expenses</b>                        |                     |                    |                     |
| Administration fees                                   | \$ 158,266          | \$ 6,634           | \$ 164,900          |
| Amortization  | -                   | 700                | 700                 |
| Bank and interest charges                             | 52,802              | 284                | 53,086              |
| Exploration acquisition costs                         | 7,088               | 26,554             | 33,642              |
| Foreign exchange loss                                 | (9,887)             | (3,178)            | (13,065)            |
| Investor relations                                    | 28,125              | -                  | 28,125              |
| Office and miscellaneous                              | 8,715               | 1,878              | 10,593              |
| Professional fees                                     | 64,377              | 4,558              | 68,935              |
| Transfer agent and regulatory                         | 9,034               | -                  | 9,034               |
| Travel, promotion and mining shows                    | 9,462               | -                  | 9,462               |
| <b>Net loss and comprehensive loss for the period</b> | <b>\$ (327,982)</b> | <b>\$ (37,430)</b> | <b>\$ (365,412)</b> |

| <b>Six months ended June 30, 2019</b>                 | <b>Canada</b>       | <b>Chile</b>       | <b>Total</b>        |
|---|---------------------|--------------------|---------------------|
| <b>Administrative expenses</b>                        |                     |                    |                     |
| Administration fees                                   | \$ 125,447          | \$ 8,314           | \$ 133,761          |
| Amortization  | -                   | 1,398              | 1,398               |
| Bank and interest charges                             | 47,106              | 881                | 47,987              |
| Exploration acquisition costs                         | 53,172              | 54,333             | 107,505             |
| Foreign exchange loss                                 | (713)               | -                  | (713)               |
| Investor relations                                    | 100,217             | -                  | 100,217             |
| Office and miscellaneous                              | 4,581               | 5,337              | 9,918               |
| Professional fees                                     | 70,785              | 12,476             | 83,261              |
| Transfer agent and regulatory                         | 7,750               | -                  | 7,750               |
| Travel, promotion and mining shows                    | 144                 | -                  | 144                 |
| <b>Net loss and comprehensive loss for the period</b> | <b>\$ (408,489)</b> | <b>\$ (82,739)</b> | <b>\$ (491,228)</b> |



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## CHILEAN METALS INC.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited)

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#### 14. Commitments and contingencies

##### Consulting

The Company has entered into a consulting agreement with a company controlled by Directors and Officers of the Company. The obligation under these agreements amounts to \$350,000 per year. The Company has committed to these payments for the 2020 fiscal year.

##### Flow-through indemnification

The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to flow-through participants. The Company indemnified the subscribers for any related tax amounts that become payable by the subscribers as a result of the Company not meeting its expenditure commitments. The Company has not fully met all of its expenditure commitments for previous flow-through financings. If the Canadian Revenue Agency ("CRA") determined that the Company was not compliant with their flow-through expenditure commitments, the Company may be liable to indemnify subscribers for any related tax amounts. No provision has been recorded in these consolidated financial statements related to this contingency as various triggering events have not taken place.

##### Environmental and legal

The Company's operations are subject to government environmental protection legislation. Environmental consequences are difficult to identify in terms of results, timetable and impact. At this time, to management's best knowledge, the Company's operations are in compliance with current laws and regulations.

##### Property taxes

As at June 30, 2020, the Company has unpaid property tax for various mineral exploration property claims totaling approximately 539,000,000 Chilean Pesos (\$954,000) (December 31, 2019 - 444,000 Chilean Pesos (\$874,000)) which has been included in accounts payable and accrued liabilities as at June 30, 2020. 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 property tax commitment for 2020 fiscal year is \$104,000,000 Chilean Pesos (\$184,000).