CHILEAN METALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

(EXPRESSED IN CANADIAN DOLLARS)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Chilean Metals Inc.

We have audited the accompanying consolidated financial statements of Chilean Metals Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows, and consolidated statements of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Chilean Metals Inc. and its subsidiaries as at December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that Chilean Metals Inc. had continuing losses during the year ended December 31, 2015 and a working capital deficiency as at December 31, 2015. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about Chilean Metals Inc.'s ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
April 25, 2016

Chilean Metals Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2015	As at December 31, 2014
ASSETS		
Current assets		
Cash	**$ 456**	$ 70,255
Amounts receivable	**7,709**	28,980
Advances, prepaid expenses and deposits	**4,031**	21,352
Total current assets	**12,196**	120,587
Non-current assets		
Equipment (note 4)	**12,249**	17,499
Mineral exploration properties (note 5)	**4,897,865**	4,566,374
Total assets	**$ 4,922,310**	$ 4,704,460
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (notes 12(a)(viii) and 14)	**$ 730,683**	$ 383,621
Advance from related party (note 12(a)(vii))	**54,000**	-
Loan payable (notes 7(c))	**94,000**	94,000
Deferred transaction advance (note 18)	**50,000**	-
Debentures payable (notes 7 and 19)	**273,514**	-
Total liabilities	**1,202,197**	477,621
Shareholders' equity		
Issued capital (note 8)	**48,385,997**	48,358,997
Contributed surplus	**3,392,781**	3,392,781
Warrants (note 10)	**72,898**	-
Deficit	**(48,131,563)**	(47,524,939)
Total shareholders' equity	**3,720,113**	4,226,839
Total equity and liabilities	**$ 4,922,310**	$ 4,704,460

Nature of operations and going concern (note 1)
Commitments and contingencies (notes 5, 7, 14 and 18)
Subsequent events (notes 18 and 19)

On behalf of the Board:

(Signed) *Terry Lynch*	(Signed) *Peter Kent*
Terry Lynch	Peter Kent
Director	Director

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

	Year ended December 31, 2015	2014
Administrative expenses		
Administration fees (note 12)	**$ 203,403**	$ 384,409
Amortization	**5,250**	8,852
Bank and interest charges (note 7)	**74,503**	56,568
Foreign exchange loss (gain)	**6,820**	(50,818)
Generative exploration recovery	**-**	(15,701)
Investor relations	**10,578**	13,698
Office and miscellaneous	**158,605**	134,823
Professional fees (note 12)	**105,047**	183,480
Share-based payments (notes 9 and 12)	**-**	202,000
Transfer agent and regulatory	**31,339**	59,475
Travel, promotion and mining shows	**11,079**	30,836
Net operating loss before other items	**(606,624)**	(1,007,622)
Other items		
Other income (note 12)	**-**	101,747
Realized gain on disposal of camp (note 6)	**-**	318,901
Impairment loss on mineral exploration properties (note 5)	**-**	(1,055,743)
Net loss and comprehensive loss for the year	**$ (606,624)**	$ (1,642,717)
Basic and diluted net loss per share (note 11)	**$ (0.02)**	$ (0.08)
Weighted average number of common shares outstanding - basic and diluted (note 11)	**25,052,005**	20,815,446

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

Chilean Metals Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended December 31, 2015	Year ended December 31, 2014
Operating activities		
Net loss for the year	**$ (606,624)**	$ (1,642,717)
Items not affecting cash:		
Amortization	**5,250**	8,852
Share-based payments	**-**	202,000
Impairment loss on mineral property	**-**	1,055,743
Accrued interest	**44,739**	-
Realized gain on disposal of camp	**-**	(318,901)
Non-cash working capital items:		
Amounts receivable	**21,271**	(21,232)
Advances, prepaid expenses and deposits	**17,321**	(12,027)
Accounts payable and accrued liabilities	**112,062**	(715,837)
Net cash used in operating activities	**(405,981)**	(1,444,119)
Financing activities		
Share capital issued	**-**	851,200
Share issuance costs	**-**	(9,752)
Advance from related party	**54,000**	-
Advance from Cogonov	**50,000**	-
Loan repayments	**-**	(249,310)
Issuance (repayment) of debentures, net of issue costs	**301,673**	(1,943,365)
Net cash provided by (used in) financing activities	**405,673**	(1,351,227)
Investing activities		
Acquisition of and expenditures on mineral exploration properties	**(69,491)**	(57,304)
Deferred acquisition deposit	**-**	(201,736)
Proceeds on sale of property	**-**	3,061,739
Net cash provided by (used in) investing activities	**(69,491)**	2,802,699
Net change in cash	**(69,799)**	7,353
Cash, beginning of year	**70,255**	62,902
Cash, end of year	**$ 456**	$ 70,255
Supplemental disclosures		
Interest paid	**$ -**	$ 108,760
Common shares issued for property interest	**$ 27,000**	$ -
Change in accrued mineral property expenditures	**$ 235,000**	$ -

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

Chilean Metals Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Common Shares					
	Number	**Amount**	**Contributed Surplus**	**Warrants**	**Deficit**	**Total**
Balance, December 31, 2013	**16,081,374**	**$ 47,517,549**	**$ 3,190,781**	**$ -**	**$ (45,882,222)**	**$ 4,826,108**
Private placements	8,512,000	851,200	-	-	-	851,200
Share issuance cost	-	(9,752)	-	-	-	(9,752)
Share-based payments	-	-	202,000	-	-	202,000
Net comprehensive loss for the year	-	-	-	-	(1,642,717)	(1,642,717)
Balance, December 31, 2014	**24,593,374**	**$ 48,358,997**	**$ 3,392,781**	**$ -**	**$ (47,524,939)**	**$ 4,226,839**
Shares issued for mineral exploration properties	600,000	27,000	-	-	-	27,000
Warrants issued on debentures	-	-	-	72,898	-	72,898
Net comprehensive loss for the year	-	-	-	-	(606,624)	(606,624)
Balance, December 31, 2015	**25,193,374**	**$ 48,385,997**	**$ 3,392,781**	**$ 72,898**	**$ (48,131,563)**	**$ 3,720,113**

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

1. Nature of operations and going concern

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

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

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

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

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. During the year ended December 31, 2015, the Company incurred a net loss of $606,624 (year ended December 31, 2014 - $1,642,717). As at December 31, 2015, the Company has incurred significant losses since inception totaling $48,131,563 (December 31, 2014 - $47,524,939). As at December 31, 2015, the Company has a working capital deficiency of $1,190,001 (December 31, 2014 - $357,034); the continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that additional funds will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company’s ability to continue as a going concern and accordingly use accounting principles applicable to a going concern.

2. Basis of presentation

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

These consolidated financial statements for the year ended December 31, 2015 were approved and authorized for issue by the Company’s Board of Directors on April 25, 2016.

These consolidated 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. Basis of presentation (continued)

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed below.

3. Significant accounting policies

(a) Basis of consolidation

These consolidated financial statements for the year ended December 31, 2015 include the accounts of the Company, its wholly-owned Chilean subsidiary, Minera IPBX Ltda., and its wholly-owned Canadian subsidiaries, Tierra de Oro Resources Ltd. and Chilean Metals Exploration Ltd. These consolidated financial statements include the indirectly 100% owned Canadian subsidiaries SPN Metals Exploration Ltd., TDO Metals Exploration Ltd., Pintada Minerals Inc., Pintada Holdings Inc., Palo Negro Mining Inc., Palo Negro Holdings Inc., Verna Exploration Ltd., and Verna Holdings Ltd. The Company also has a 100% indirect interest in three Chilean subsidiaries: Minera Tierra de Oro Ltda., Minera Palo Negro Ltda. and Minera Sierra Pintada Ltda. All material inter-company balances and transactions have been eliminated on consolidation.

(b) Equipment

Equipment is recorded at cost less accumulated amortization less impairment losses. Amortization method, useful life and residual values are assessed annually and currently is recognized on the declining balance basis at the following rates per annum:

Furniture and office equipment	30%
Field equipment	30%

Where an item of equipment comprises significant components with different useful lives, the components are accounted for as separate items of equipment. Subsequent costs to replace parts of an item of equipment are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and the cost of the item can be measured reliably. The costs of day-to-day servicing are recognized in profit or loss as incurred.

(c) Mineral exploration properties

Exploration and evaluation costs, including the acquisition, exploration and development of mineral properties are capitalized as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and the commercial viability of the project. The capitalized costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. When a license is relinquished or a project is abandoned, the related costs are recognized in profit and loss immediately. Upon commencement of commercial production, the related accumulated costs are amortized to income using the units of production method over estimated recoverable ore reserves. Management periodically assesses the carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that have lapsed, the unrecoverable amounts are expensed.

3. Significant accounting policies (continued)

(c) Mineral exploration properties (continued)

The recoverability of the carried amounts of mineral exploration properties is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral exploration properties contain economically recoverable reserves. Amounts capitalized as mineral exploration properties represent costs incurred to date, less write-downs and recoveries, and do not necessarily reflect present or future values. The costs incurred include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

(d) Impairment

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indications of impairment exist, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(e) Decommissioning liabilities

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities and may from time to time incur decommissioning liabilities and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at December 31, 2015 and 2014, the Company had not incurred any decommissioning liabilities related to the exploration of its mineral properties.

3. Significant accounting policies (continued)

(f) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(g) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(h) Foreign currency translation

The reporting currency of the Company is the Canadian dollar.

The functional currency of the Company and its Canadian and Chilean subsidiaries is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation of monetary assets and liabilities not denominated in the functional currency of an entity at period end exchange rates are recognized in the statement of loss.

Management determines the functional currency by examining the primary economic environment in which it operates. The Company considers the following factors in determining its functional currency:

(i) The currency that mainly influence labor, material and other costs of providing goods;
(ii) The currency in which funds from financing activities are generated;
(iii) The currency in which receipts from operating activities are usually retained; and
(iv) Whether the activities are carried out as an extension of the Company rather than being carried out with a significant degree of autonomy.

(i) Income taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred income taxes and liabilities are recognized to reflect the expected deferred tax consequences arising from temporary differences between the carrying value and the tax bases of the deferred tax assets and liabilities and are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. Deferred tax assets are not recognized if it is probable that the asset will not be realized.

3. Significant accounting policies (continued)

(i) Income taxes (continued)

The following temporary differences do not result in deferred tax assets or liabilities:

(i) the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit; and
(ii) investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(j) Financial instruments

Financial assets
All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or financial assets at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At December 31, 2015 and 2014, the Company’s cash and amounts receivable are classified as loans and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income except for losses in value that are considered other than temporary, in which case the losses are recognized in the statement of loss.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities
All financial liabilities are initially recorded at fair value and designated upon inception as financial liabilities at FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company’s accounts payable and accrued liabilities, advance from related party, loan payable and debentures payable are classified as other financial liabilities.

3. Significant accounting policies (continued)

(j) Financial instruments (continued)

Financial liabilities (continued)

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company is not exposed to any derivative instruments and foreign exchange hedges in place at this time.

(k) Share-based payments

The Company has a stock option plan, which is described in Note 9. The Company applies the fair value method to all share-based payments and to all grants that are direct awards of stock that call for settlement in cash or other assets. Options granted under the Company's stock option plan vest as determined by the directors at the time of grant. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, share capital is credited for the consideration received and the related contributed surplus is decreased.

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the stock options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of loss, unless the fair value cannot be estimated reliably, in which case they are recorded at the fair value of the equity instruments granted.

(l) Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity. The Company does not bifurcate the value of warrants issued as part of a unit raise.

(m) Loss per share

The Company uses the treasury stock method in computing loss per share. Under this method, basic loss per share is computed by dividing losses available to common shareholders by the weighted average number of common shares outstanding during the period. For the years ended December 31, 2015 and 2014, the existence of warrants and options causes the calculation of diluted loss per share to be anti-dilutive.

3. Significant accounting policies (continued)

(n) Debentures

When debentures are issued, the Company analyzes their terms and conditions and first assesses whether the debenture is equity or a liability using the criteria provided in IAS 32. The Company may also conclude that the convertible debentures have both debt and equity components. Where there is a debt component that meets the definition of a financial liability and also an equity component where the debenture holder has a conversion option, the following paragraphs describe that accounting treatment.

The component parts of debentures issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

Conversion rights classified as equity are determined by deducting the amount of the liability component from the fair value of the convertible debenture as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion right classified as equity will remain in equity until the conversion right is exercised, in which case, the balance recognized in equity will be transferred to share capital. When the conversion rights remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to accumulated deficit. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion right.

(o) Warrants

Warrants not issued as part of a unit are recorded to warrants on the consolidated statements of financial position and valued using the Black-Scholes option pricing model.

(p) Critical accounting estimates and judgments

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year are:

(i) Impairment of mineral exploration properties and equipment

The Company's fair value measurement with respect to the carrying amount of non-financial assets is based on numerous assumptions and may differ significantly from actual fair values. The fair values are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated fair values of non-financial assets to their carrying values. The Company's fair value estimates are based on numerous assumptions. The fair value estimates may differ from actual fair values and these differences may be significant and could have a material impact on the Company's financial position and result of operations. Assets are reviewed for an indication of impairment at each reporting date. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in copper and gold prices.

(ii) Share-based payments

When stock options and warrants are issued by the Company, it calculates their estimated fair value using the Black-Scholes option pricing model, which may not reflect the actual value on exercise. The Company uses publicly available rates, where available, as inputs into the model including volatility assumptions. The Company recognizes the fair value of stock options on the consolidated statement of loss when vesting occurs.

3. Significant accounting policies (continued)

(p) Critical accounting estimates and judgments (continued)

(iii) Debentures payable

The Company was required to make certain estimates when determining the value of the liability component, equity component and the right to acquire the Copaquire NSR. The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments. The Company valued the equity component using the Black-Scholes option pricing model. The Company determined the right to acquire the Copaquire NSR was nominal.

(iv) Income taxes

The Company is subject to income and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made. All estimates for value added and withholding taxes have been included in accounts payable and accrued liabilities.

(v) Restoration, rehabilitation and environmental provisions

The Company assumes no material restoration, rehabilitation and environmental provisions based on facts and circumstances that existed as of each reporting period. The Company must review this assumption in accordance with exploration results, existing laws, contracts and other policies. A material restoration obligation involves a number of estimates relating to timing, type of costs and associated contract negotiations, and a review of potential methods and technical advancements.

Critical accounting judgments made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year are:

(i) Going concern

The going concern presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

(ii) Determination of functional currency

Under IFRS, each entity must determine its own functional currency, which becomes the currency that entity measures its results and financial position in. In determining the functional currencies of the Company and its subsidiaries, the Company considered many factors, including the currency that mainly influences sales prices for goods and services, the currency of the country whose competitive forces and regulations mainly determine the sales prices, and the currency that mainly influences labour material and other costs for each consolidated entity.

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(q) Change in accounting policies

The Company adopted the following accounting pronouncements during the year.

(i) IAS 24 – Related Party Disclosures ("IAS 24") was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. At January 1, 2015, the Company adopted these amendments and there was no material impact on the Company's consolidated financial statements.

(r) Recent accounting pronouncements

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

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

(ii) IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

(iii) 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, 2013	**$ 83,278**	**$ 123,676**	**$ 206,954**
Balance, December 31, 2014	**83,278**	**123,676**	**206,954**
Balance, December 31, 2015	**$ 83,278**	**$ 123,676**	**$ 206,954**

(Expressed in Canadian Dollars)

4. Equipment (continued)

Accumulated amortization

	Field Equipment	Furniture and Office Equipment	Total
Balance, December 31, 2013	**$ 71,006**	**$ 109,597**	**$ 180,603**
Amortization	4,123	4,729	8,852
Balance, December 31, 2014	**75,129**	**114,326**	**189,455**
Amortization	2,445	2,805	5,250
Balance, December 31, 2015	**$ 77,574**	**$ 117,131**	**$ 194,705**

Net book value

	Field Equipment	Furniture and Office Equipment	Total
At December 31, 2014	**$ 8,149**	**$ 9,350**	**$ 17,499**
At December 31, 2015	**$ 5,704**	**$ 6,545**	**$ 12,249**

5. Mineral exploration properties

	Sierra Pintada (b)	Tierra de Oro (c)	Zulema (d)	Other (e - g)	Total
Balance, December 31, 2013	**$ 1,055,743**	**$ 4,460,483**	**$ -**	**$ 48,587**	**$ 5,564,813**
Acquisition and staking	-	-	56,569	-	56,569
Exploration					
Claim costs	-	-	735	-	735
Exploration and acquisition costs 2014	-	-	57,304	-	57,304
Impairment loss	(1,055,743)	-	-	-	(1,055,743)
Balance, December 31, 2014	**-**	**4,460,483**	**57,304**	**48,587**	**4,566,374**
Acquisition and staking	-	-	90,732	-	90,732
Exploration					
Project management	-	-	14,433	-	14,433
Claim costs	-	108,969	117,357	-	226,326
Exploration and acquisition costs 2015	-	108,969	222,522	-	331,491
Balance, December 31, 2015	**$ -**	**$ 4,569,452**	**$ 279,826**	**$ 48,587**	**$ 4,897,865**

(a) Copaquire Property, Chile

On October 11, 2013 the Company, through its wholly owned Chilean subsidiary, Minera IPBX Ltda. (“IPBX”), entered into an agreement to sell 100% of its interest in the Copaquire Property as well as the camp located on the property, to Teck Resources Chile Ltda. (“Teck”), a subsidiary of Teck Resources Limited for cash consideration of $2,545,980 (US$2,545,000) and $515,759 (US$488,556) respectively, plus a 3% net smelter royalty ("NSR") payable to IPBX (the “Sale Agreement”). Under terms of the Sale Agreement, Teck has the option to buy back 1% of the NSR for US$3 million at any time, and assumed all associated rights, permits and obligations (including future option payments). The sale closed on March 24, 2014.

5. Mineral properties (continued)

(b) Sierra Pintada, Chile

The Company previously owned a 100% interest in exploitation and exploration concessions in Region III, Chile.

During the year ended December 31, 2014, the Company dropped all exploitation and exploration concessions and recorded a write-off of $1,055,743 during the year ended December 31, 2014.

(c) Tierra de Oro, Chile

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

(d) Zulema aka. Chicharra Property, Chile

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

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

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

(e) Hornitos Property, Chile

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

(f) Palo Negro Property, Chile

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

(g) Tabaco, Chile

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

6. Assets held for sale

During the year ended December 31, 2014, the Company disposed of the Copaquire Property and Camp which it committed to disposing of during the year ended December 31, 2013. As at December 31, 2013, the Copaquire Property and Camp met the criteria to be classified as assets held for sale and as such were each measured at the lower of their carrying amount and their fair value less costs to sell resulting in an impairment of $17,025,440 during the year ended December 31, 2013.

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

The Copaquire Camp was measured at its carrying amount at December 31, 2013. The total proceeds attributed to the Camp from the Sale Agreement were $515,759. Therefore, the Company recognized a gain on the disposition of the Camp of $318,901 including a foreign exchange loss.

7. Debentures and loans

(a) During the year ended December 31, 2013, the Company issued $934,380 of convertible debentures bearing interest at a rate of 14% per annum and maturing on the earliest of (1) June 1, 2014; (2) the sale of the Copaquire Property; or (3) in the event of the sale (change of control) of the Company (the “maturity date events”). The debentures were convertible at $0.06 per share after December 1, 2013 at the holder’s option if the Company did not repay the principal in full with interest plus a bonus amount equal to 100% of the principal (the “100% bonus”) on or before December 1, 2013. In the event of a sale of the Copaquire Property or the Company at any time up until June 1, 2014 the debentures were due in full immediately including accrued interest and the 100% bonus.

In addition, each holder of the debentures received an amount equal to 10% of the principal of the debentures in common shares of the Company at a price of approximately $0.03 per share upon purchase of the debentures. The fair value of the shares, as determined by the market price on the date of issuance, was $83,605.

The Company determined the sale of the Copaquire Property was substantially complete and therefore a maturity date event had been triggered upon receiving shareholder approval of the preliminary Sale Agreement in December 2013, as the final Sale Agreement, which was signed on January 20, 2014, was substantially the same as the preliminary Sale Agreement. Under the terms of the convertible debenture agreement, the principal amount, accrued interest and the 100% bonus were deemed payable as at December 31, 2013.

The debentures matured on March 24, 2014 when the sale of the Copaquire Property closed and were repaid. As at March 24, 2014, the total interest accrued on the debentures was $103,846. The Company made payments of $1,943,365 during the year ended December 31, 2014 in settlement of these debentures.

(b) The Company had a loan outstanding for an aggregate amount of $115,000 at December 31, 2013, bearing interest at 18% per annum and maturing April 23, 2014. The loan was repaid during the year ended December 31, 2014 plus accrued interest of $10,350.

(c) The Company had two loans totaling $200,000 from a former director, who resigned in March 2012. Both loans were interest bearing at 1% per month, unsecured, and due on demand. During the year ended December 31, 2014, $140,000 was repaid with a remaining balance of $60,000 principal and $34,000 in accrued interest. On May 31, 2014, the Company entered into a new loan agreement for the remaining aggregate balance of $94,000 to be repaid on May 31, 2015. The loan bears interest at 12% per annum with the interest prepaid. The Company is currently in discussions with the holder regarding the repayment of this loan.

(d) On March 26, 2015, the Company issued $190,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% NSR (see note 5(a)) and October 31, 2016. As part of the issuance, the Company paid an origination fee of $26,600. The debentures could be repaid prior to July 1, 2015 by paying a bonus of 20% of the principal. As the debentures were not repaid as of July 1, 2015, the Company was required to issue 1,900,000 warrants, exercisable at a price of $0.05 per share until October 31, 2016 (see note 10). On November 1, 2016, if the debentures are not repaid in full plus a bonus of 100% of the principal, the holders shall have the right to acquire $190,000/US$1,000,000 percent of the Copaquire NSR. The debenture is secured by the shares of the Company's subsidiary, IPBX, that holds the Copaquire NSR.

The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 30%, being management’s best estimate of the rate that an unsecured debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 1.34 years expected average life; 143% expected volatility; risk-free interest rate of 0.61%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life. Based on this calculation, the liability component is $144,832 ($114,094 net of transaction costs), the equity component is $45,168 (reclassified to warrants on warrant issuance) and the right to acquire the Copaquire NSR is valued at $nil. Accretion charges attributable to the debenture for the year ended December 31, 2015 were $46,276. This amount is added to the liability component and is included in bank and interest charges.

7. Debentures and loans (continued)

(e) On April 22, 2015, the Company issued $40,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% NSR (see note 5(a)) and October 31, 2016. The debentures could be repaid prior to July 1, 2015 by paying a bonus of 20% of the principal. As the debentures were not repaid as of July 1, 2015, the Company was required to issue 400,000 warrants, exercisable at a price of $0.05 per share until October 31, 2016 (see note 10). On November 1, 2016, if the debentures are not repaid in full plus a bonus of 100% of the principal, the holders shall have the right to acquire $40,000/US$1,000,000 percent of the Copaquire NSR. The debenture is secured by the shares of the Company's subsidiary, IPBX, that contains the Copaquire NSR.

The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 30%, being management's best estimate of the rate that a non-secured debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 1.34 years expected average life; 185% expected volatility; risk-free interest rate of 0.69%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life. Based on this calculation, the liability component is $29,660 ($29,410 net of transaction costs), the equity component is $10,340 (reclassified to warrants on warrant issuance) and the right to acquire the Copaquire NSR is valued at $nil. Accretion charges attributable to the debenture for the year ended December 31, 2015 were $7,507. This amount is added to the liability component and is included in bank and interest charges.

(f) On May 5, 2015, the Company issued $60,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% NSR (see note 5(a)) and October 31, 2016. As part of the issuance, the Company paid a brokerage fee of $3,600. The debentures could be repaid prior to July 1, 2015 by paying a bonus of 20% of the principal. As the debentures were not repaid as of July 1, 2015, the Company was required to issue 600,000 warrants, exercisable at a price of $0.05 per share until October 31, 2016 (see note 10). On November 1, 2016, if the debentures are not repaid in full plus a bonus of 100% of the principal, the holders shall have the right to acquire $60,000/US$1,000,000 percent of the Copaquire NSR. The debenture is secured by the shares of the Company's subsidiary, IPBX, that contains the Copaquire NSR.

The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 30%, being management's best estimate of the rate that a non-secured debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 1.34 years expected average life; 176% expected volatility; risk-free interest rate of 0.73%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life. Based on this calculation, the liability component is $44,933 ($40,958 net of transaction costs), the equity component is $15,067 (reclassified to warrants on warrant issuance) and the right to acquire the Copaquire NSR is valued at $nil. Accretion charges attributable to the debenture for the year ended December 31, 2015 were $11,729. This amount is added to the liability component and is included in bank and interest charges.

(g) On August 26, 2015, the Company issued $25,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% NSR (see note 5(a)) and October 31, 2016. As part of the debentures, the Company was required to issue 250,000 warrants, exercisable at a price of $0.05 per share until October 31, 2016 (see note 10). On November 1, 2016, if the debentures are not repaid in full plus a bonus of 100% of the principal, the holders shall have the right to acquire $25,000/US$1,000,000 percent of the Copaquire NSR. The debenture is secured by the shares of the Company's subsidiary, IPBX, that contains the Copaquire NSR.

(Expressed in Canadian Dollars)

7. Debentures and loans (continued)

(g) (continued) The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 30%, being management's best estimate of the rate that a non-secured debenture without warrants with similar terms would bear. The Company valued the equity component using the Black-Scholes option pricing model with the following assumptions: a 1.18 years expected average life; 168% expected volatility; risk-free interest rate of 0.39%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life. Based on this calculation, the liability component is $22,677 ($21,531 net of transaction costs), the equity component is $2,323 (reclassified to warrants on warrant issuance) and the right to acquire the Copaquire NSR is $nil. Accretion charges attributable to the debenture for the year ended December 31, 2015 were $2,009. This amount is added to the liability component and is included in bank and interest charges.

8. Issued capital

As part of the share consolidation completed on February 28, 2014 all applicable references to the number of shares, warrants and stock options and their strike price and per share information has been restated on the basis of 10 old common shares for 1 new common share.

a) Authorized share capital

At December 31, 2015, the authorized share capital consisted of an unlimited number of common shares, non-voting Class A preference shares with a par value of $1.00 and Class B preference shares with a par value of $5.00. The common shares do not have a par value.

b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2013	**16,081,374**	**$ 47,517,549**
Private placement (i)	8,512,000	851,200
Share issuance costs	-	(9,752)
Balance, December 31, 2014	**24,593,374**	**$ 48,358,997**
Shares issued for mineral exploration properties (note 5(d))	600,000	27,000
Balance, December 31, 2015	**25,193,374**	**$ 48,385,997**

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

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.

(Expressed in Canadian Dollars)

9. Stock options (continued)

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

	Number of stock options	Weighted average exercise price ($)
Balance, December 31, 2013	**305,000**	**1.90**
Expired	(135,000)	2.87
Granted (i)	2,000,000	0.25
Balance, December 31, 2014	**2,170,000**	**0.32**
Expired	(290,000)	0.81
Balance, December 31, 2015	**1,880,000**	**0.25**

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

The following table reflects the actual stock options issued and outstanding as of December 31, 2015:

Expiry date	Exercise price ($)	Remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
June 11, 2019	0.25	3.45	1,880,000	1,880,000

10. Warrants

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

	Number of warrants	Weighted average exercise price ($)
Balance, December 31, 2013	**2,151,758**	**0.25**
Granted (note 8(b)(i))	4,256,000	0.15
Expired	(2,151,758)	0.25
Balance, December 31, 2014	**4,256,000**	**0.15**
Granted (note 7)	3,150,000	0.05
Expired	(4,256,000)	0.15
Balance, December 31, 2015	**3,150,000**	**0.05**

The following table reflects the actual warrants issued as of December 31, 2015:

Number of warrants outstanding	Grant date fair value ($)	Exercise price ($)	Expiry date
3,150,000	72,898	0.05	October 31, 2016

(Expressed in Canadian Dollars)

11. Net loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2015 was based on the loss attributable to common shareholders of $606,624 (year ended December 31, 2014 - $1,642,717) and the weighted average number of common shares outstanding of 25,052,005 (year ended December 31, 2014 - 20,815,446). Diluted loss per share did not include the effect of 1,880,000 options outstanding (year ended December 31, 2014 - 2,170,000 options outstanding) or the effect of 3,150,000 warrants outstanding (year ended December 31, 2014 - 4,256,000 warrants outstanding) as they are anti-dilutive.

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 December 31, 2015, the directors and/or officers of the Company collectively control 3,024,533 common shares of the Company or approximately 12% of the total common shares outstanding. To the knowledge of directors and officers of the Company, the remainder of the outstanding common shares are held by diverse shareholders. These holdings can change at any time at the discretion of the owner.

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

		Year ended December 31,	
	Notes	**2015**	**2014**
Administration expense	(i)	**$ 144,000**	$ 184,000
Accounting expense	(ii)	**$ 51,964**	$ 64,925
Geological consulting expense	(iii)	**$ 38,029**	$ 58,040
Consulting expense	(iv)	**$ -**	$ 65,000

(i) For the year ended December 31, 2015, the Company incurred consulting fees included in administration expenses from companies controlled by an officer of $144,000 (year ended December 31, 2014 - $184,000).

(ii) For the year ended December 31, 2015, the Company incurred accounting expenses from companies related to officers or former officers of $51,964 (year ended December 31, 2014 - $64,925).

(iii) For the year ended December 31, 2015, the Company incurred geological consulting expenses from a company controlled by a former officer of $38,029 (year ended December 31, 2014 - $58,040).

(iv) For the year ended December 31, 2015, the Company incurred consulting expenses from directors of $Nil (year ended December 31, 2014 - $65,000).

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

On March 20, 2013, the Company filed a counterclaim regarding alleged management fees payable of $101,747. The counterclaim is in the amount of $181,600.

During the year ended December 31, 2015, the claim against the Company was dismissed and the Company's counterclaim was allowed in the amount of $81,600 plus interest and other related costs. As a result, the management fees payable of $101,747 were written off during the year ended December 31, 2014. Due to the uncertainty surrounding the collection of the counterclaim, the $81,600 has not been setup in amounts receivable at December 31, 2015 and 2014.

(Expressed in Canadian Dollars)

12. Related party balances and transactions (continued)

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

(vi) Certain officers and directors, either directly or through a company they control, purchased an aggregate of 1,610,000 units in the June 11, 2014 private placement (see note 8(b)(i)).

(vii) During the year ended December 31, 2015, the son of an officer advanced $54,000 to the Company. These amounts are unsecured, non-interest bearing and due on demand.

(viii) As at December 31, 2015, included in accounts payable and accrued liabilities is $77,686 (December 31, 2014 - $8,312) due to directors and key management. These amounts are unsecured, non-interest bearing and due on demand.

	As at December 31, 2015	As at December 31, 2014
Chief Executive Officer (Former), President and Director	**$ 27,120**	$ -
Chief Financial Officer	**24,539**	8,312
VP Exploration (Former)	**24,990**	-
Directors	**1,037**	-
	$ 77,686	$ 8,312

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

	Year ended December 31, 2015	Year ended December 31, 2014
Fees charged:		
Directors	**$ -**	$ 65,000
Chief Executive Officer (Former), President and Director	**144,000**	184,000
Chief Financial Officer	**51,964**	31,425
Chief Financial Officer (Former)	**-**	33,500
VP Exploration (Former)	**38,029**	58,040
Share-based benefits:		
Directors	**-**	72,720
Chief Executive Officer (Former, President and Director	**-**	80,800
Chief Financial Officer	**-**	12,120
Chief Financial Officer (Former)	**-**	12,120
VP Exploration (Former)	**-**	24,240
Total remuneration	**$ 233,993**	$ 573,965

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.

13. Segmented information

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

(Expressed in Canadian Dollars)

14. 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.

Change of control

Pursuant to a consulting agreement with the President, in the event of termination or a change of control of the Company, the President is entitled to receive compensation equal to 12 months of pay totaling $144,000.

Property taxes

The Company has unpaid property tax for various mineral exploration property claims totaling approximately 235,349,000 Chilean Pesos ($460,000) which has been included in accounts payable and accrued liabilities as at December 31, 2015. 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 2016 on its mineral exploration property claims of approximately 47,800,000 Chilean Pesos ($93,000).

15. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate on the net loss for the years ended December 31, 2015 and December 31, 2014 is as follows:

	Year ended December 31, 2015	2014
Net loss before income taxes	**$ (606,624)**	$ (1,642,717)
Combined federal and provincial statutory income tax rate	**26.50 %**	26.50 %
Expected income tax recovery	**$ (161,000)**	$ (435,000)
Permanent differences	**3,000**	55,000
Change in tax rates and other	**(45,000)**	(1,097,000)
Change in tax benefits not recognized	**203,000**	1,477,000
Income tax expense (recovery)	**$ -**	$ -

(Expressed in Canadian Dollars)

15. Income taxes (continued)

Deferred income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	As at December 31, 2015	As at December 31, 2014
Non-capital losses carried forward	**$ 31,662,000**	$ 30,580,000
Capital losses carried forward	**341,000**	341,000
Mineral exploration properties and equipment	**5,625,000**	7,836,000
Finance costs and other	**184,000**	56,000
	$ 37,812,000	$ 38,813,000

The Company has approximately $20,044,000 (December 31, 2014 - $19,405,000) of Chilean non-capital losses that carry forward indefinitely. The Company also has Canadian non-capital losses of approximately $11,621,000 (December 31, 2014 - $11,175,000) expiring as follows:

	Canada
2026	$ 974,000
2027	1,192,000
2028	882,000
2029	725,000
2030	1,265,000
2031	1,648,000
2032	1,253,000
2033	1,970,000
2034	1,263,000
2035	449,000
	$ 11,621,000

16. Capital management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders, to maintain creditworthiness and to maximize returns for shareholders over the long term. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares and alternative financing activities dependent on market conditions.

The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2015. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX-V which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2015, the Company is not compliant with Policy 2.5. The impact of this violation is not known and is ultimately dependent on the discretion of the TSX-V.

The Company includes the components of shareholders’ equity in its management of capital.

(Expressed in Canadian Dollars)

16. Capital management (continued)

As at December 31, 2015, the Company had capital resources consisting of cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, obtain loans or issue convertible debenture securities to raise cash.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

17. Financial instruments and risk

Fair value

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, advance from related party, loan payable and debentures payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature and current market rates for similar financial instruments.

The following table summarizes the carrying values of the Company's financial instruments:

	As at December 31, 2015	As at December 31, 2014
	$	$
Assets:		
Loans and receivables		
Cash	**456**	70,255
Liabilities:		
Other financial liabilities		
Accounts payable and accrued liabilities	**730,683**	383,621
Advance from related party	**54,000**	-
Loan payable	**94,000**	94,000
Debenture payable	**273,514**	-

The Company thoroughly examines the various financial instrument risks to which it is exposed, and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by management. There have not been any significant changes from the previous year as to how these risks are reviewed and monitored by management. The types of financial instrument risk exposures and the objectives and policies for managing these risk exposures is described below:

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
Level 3 – Inputs that are not based on observable market data

As at December 31, 2015, and December 31, 2014, the Company's did not have any financial instruments measured at fair value.

17. Financial instruments and risk (continued)

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places cash with financial institutions. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2015, the Company had cash and amounts receivable of $8,165 (December 31, 2014 - $99,235) to settle current liabilities of $1,202,197 (December 31, 2014 - $477,621). All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms, except for the loan payable and convertible debentures. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity and the Company's ability to continue as a going concern.

Foreign Exchange Risk

The Company's functional currency is the Canadian dollar. However, the Company is exposed to the currency risk related to the fluctuation of foreign exchange rates as some of the Company's operations are located in Chile. A significant change in the currency exchange rates between the Canadian dollar relative to the Chilean peso could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations. The sensitivity of the Company's net loss and comprehensive loss to changes in the exchange rate between the Canadian dollar and the Chilean peso resulting from a 1% change in the Chilean peso exchange rate relative to the Canadian dollar would change the Company's net loss by approximately $7,000.

The Company is also exposed to the currency risk related to the fluctuation of US Dollar as some of the Company's expenses are denominated in US Dollars. As at December 31, 2015, currency risk for the US Dollar was not significant.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to interest rate risk because it does not have loans that have a floating interest rate.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of gold and copper. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

18. Proposed transaction

On September 24, 2015, the Company announced it had entered into an agreement to acquire four copper gold projects from Cogonov Inc. (“Cogonov”). The Projects are referred to as Fox River, Lynn, Parrsboro and Bass River.

The structure of the acquisition is subject to receipt of tax, corporate and securities law advice for both of Chilean Metals and Cogonov. Once the structure is determined, the letter agreement will be replaced with a definitive agreement. It is currently contemplated that Chilean Metals will issue an estimated 26,500,000 common shares to the shareholders of Cogonov (directly or indirectly). No new control persons or insiders are expected to be created in Chilean Metals by the issuance of the Chilean Metals shares.

As part of the non-binding letter agreement, Chilean Metals received a non-refundable $50,000 fee, which will be accounted for as part of the acquisition at the time it closes, or recognized in the statement of loss if a definitive agreement is not reached. Subsequently the parties expect to arrange a minimum of $373,000 equity financing for Chilean Metals, of which $123,000 has been raised to date, to be priced at a later date. The funds will be used for general working capital purposes.

The proposed acquisition is subject to the parties negotiating and entering into a definitive transaction agreement and applicable TSX-V and other regulatory approvals.

19. Subsequent event

Subsequent to December 31, 2015, 2,150,000 warrants were exercised through the conversion of the corresponding debentures with a principal balance of $107,500.

CHILEAN METALS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") dated as of April 25, 2016, supplements the consolidated financial statements of Chilean Metals Inc. (formerly International PBX Ventures Ltd; the "Company") and the notes thereto for the years ended December 31, 2015 and 2014. The MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the consolidated financial statements of the Company for the years ended December 31, 2015 and 2014 together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Information contained herein is presented as of April 25, 2016, unless otherwise indicated.

For the purposes of preparing this MD&A, Management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

The Company's shares are listed on the TSX Venture Exchange ("TSX-V"), OTCQB and Santiago Stock Exchange, Venture Market. Further information about the Company and its operations can be obtained from the offices of the Company or from www.sedar.com and the Company's website www.chileanmetals.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements.

Forward-looking statements	Assumptions	Risk factors
Potential of the Company's properties to contain economic deposits of any precious and base metals discovered	Financing will be available for future exploration and development of the Company's properties; the actual results of the Company's exploration and development activities will be favourable; operating, exploration and development costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions are favourable to the Company; the price of precious and base metals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with respect to the Company's properties	Price volatility of precious and base metals; uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for and actual results of the Company's exploration and development activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff; availability of permits
The Company has no source of revenue and it will require additional cash resources to meet its administrative overhead and maintain its mineral investments for the next twelve months, starting from December 31, 2015 The Company expects to incur further losses in the development of its business and will need to raise additional financing to meet its financial requirements	The operating and exploration activities of the Company for the next twelve months and beyond, starting from December 31, 2015, and the costs associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; changes in the operations currently planned; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions
The Company's ability to carry out anticipated exploration and maintenance on its property interests and its anticipated use of cash	The exploration and maintenance activities of the Company for the year ended December 31, 2016, and the costs associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; changes in the operations currently planned; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; receipt of applicable permits

Plans, costs, timing and capital for future exploration and development of the Company's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations	Financing will be available for the Company's exploration and development activities and the results thereof will be favourable; actual operating and exploration costs will be consistent with the Company's current expectations; the Company will be able to retain and attract skilled staff; all applicable regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company; the Company will not be adversely affected by market competition; debt and equity markets, exchange and interest rates and other applicable economic and political conditions are favourable to the Company; the price of precious and base metals will be favourable to the Company; no title disputes exist with respect to the Company's properties	Price volatility of any mineral discovered, changes in debt and equity markets; timing and availability of external financing on acceptable terms; the uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff; availability of permits; market competition
Management's outlook regarding future trends, including the future price of any precious and base metals discovered and availability of future financing	Financing will be available for the Company's exploration and operating activities; the price of applicable minerals will be favourable to the Company	Price volatility of any precious and base metals discovered; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions; availability of financing
Sensitivity analysis of financial instruments	Foreign exchange rates will not be subject to change in excess of plus or minus 1%	Changes in exchange rate fluctuations
Prices and price volatility for precious and base metals	The price of precious and base metals will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of precious and base metals will be favourable	Changes in debt and equity markets and the spot price of precious and base metals, if available; interest rate and exchange rate fluctuations; changes in economic and political conditions

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please, in addition, also make reference to those risk factors referenced in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

CORPORATE GOVERNANCE

Management of the Company is responsible for the preparation and presentation of the quarterly financial statements and notes thereto. Additionally, it is Management's responsibility to ensure the Company complies with the laws and regulations applicable to its activities.

The Company's Management is held accountable to the Board of Directors ("Directors"), each member of which is elected annually by the shareholders of the Company. The Directors are responsible for reviewing and approving the financial statements and the MD&A. Responsibility for the review and approval of the Company's financial statements and MD&A is delegated by the Directors to the Audit Committee, which is composed of three directors. Additionally, the Audit Committee pre-approves audit and non-audit services provided by the Company's auditors.

The auditors are appointed annually by the shareholders to conduct an audit of the financial statements in accordance with generally accepted auditing standards. The external auditors have complete access to the Audit Committee to discuss audit, financial reporting and related matters resulting from the annual audit as well as assist the members of the Audit Committee in discharging their corporate governance responsibilities.

DESCRIPTION OF BUSINESS

Chilean Metals Inc. is a resource exploration company involved in exploring for gold, silver, copper and iron on its various properties located in Chile through its wholly owned subsidiaries in Chile, being Minera IPBX Limitada ("IPBX"), Minera Tierra de Oro Limitada, Minera Palo Negro Limitada and Minera Sierra Pintada Limitada ("Chilean Subsidiaries").

During the year ended December 31, 2015, the Company completed the acquisition of twelve mining concessions totaling 1,324 hectares (3,272 acres) on its Zulema property through its wholly owned Chilean subsidiary, IPBX. The Zulema property now consists of 4,300 hectares (10,626 acres) on its Zulema property in Chile's Third Region. All concessions are held 100% by IPBX, with no underlying third party royalty or net profits interest. The property is located 30 kilometres from the giant Cu-Au Candelaria mine of Lundin Mining Corporation and in a very similar geological environment. The Company's plans to drill already identified targets at Zulema by the third quarter of 2016 subject only to financing and Chilean permitting.

OVERALL PERFORMANCE

As at December 31, 2015, the Company had assets of $4,922,310 and a net equity position of $3,720,113. This compares with assets of $4,704,460 and a net equity position of $4,226,839 at December 31, 2014. At December 31, 2015, the Company had $1,202,197 of liabilities (December 31, 2014 – $477,621 of liabilities).

At December 31, 2015, the Company had a working capital deficit of $1,190,001, compared to a working capital deficit of $357,034 at December 31, 2014, an increase in deficit of $832,967, or approximately 233%. The Company had cash of $456 at December 31, 2015 compared to $70,255 at December 31, 2014, a decrease of $69,799, or approximately 99%. The Company needs to secure additional financing to carry on business activities for the twelve months ending December 31, 2016 (see "Proposed Transaction" below).

On March 30, 2015, the Company announced the acquisition of three mining concessions near the Candelaria mine in Chile's Third Region from private Chilean owners. Under the terms of the agreement, CMX paid the vendors US$50,000 in cash and issued 600,000 shares.

On March 26, 2015, the Company issued $190,000 of debentures bearing interest at a rate of 14% per annum and maturing on the earliest of the sale of the Copaquire 3% net smelter royalty ("NSR") and October 31, 2016. On April 22, 2015, May 5, 2015 and August 26, 2015, total additional debentures of $125,000 were issued under the same terms, except that there was no origination fee of 14% but a brokerage fee of $3,600. During the period, the Company issued 3,150,000 warrants, exercisable at a price of $0.05 per share until October 31, 2016 as required under the terms of the debentures.

On September 24, 2015, the Company announced it had entered into an agreement to acquire four Copper Gold projects from Cogonov Inc. ("Cogonov"). The Projects referred to as Fox River, Lynn, Parrsboro and Bass River have been the focus of considerable exploration efforts over the last several years via Cogonov and historical owners Minotaur Atlantic Exploration Ltd. See "Proposed Transaction" below.

FUTURE DEVELOPMENT AND DISCUSSION

With the Copaquire sale closed the Company is now focused on obtaining and creating value from its current mineral portfolio as well as it's proposed transaction with Cogonov Inc. (see "Proposed Transactions" below).

The Company identified its then existing Zulema claims as an area of specific interest in late 2012. It has taken two years since then to assemble additional concessions over an area of 4,300 hectares (10,600 acres) to extend and protect the main exploration target area. The Company is currently engaged in ongoing discussions with several mining companies and financial groups with a view to potential investment and / or joint venture. The Company is optimistic the project will see an initial drill program by the third quarter of 2016.

EXPLORATION

The Qualified Person for Chilean Metals Inc., as defined by National Instrument 43-101, is Mr. Gary H. Lohman, B.Sc., P.Geo. Mr. Lohman has read and approved the technical and scientific information contained in this MD&A.

As of December 31, 2015, through its Chilean Subsidiaries, the Company holds title to 101 mineral claims totaling 19,722 hectares. These claims comprise five properties held at December 31, 2015 by the Company as follows: Tierra de Oro, Palo Negro, Hornitos, Tabaco and Zulema.

Tierra de Oro (TDO), Chile

Tierra de Oro is an advanced stage exploration project located in Region III on the eastern flank of Chile's Coastal Iron Oxide Copper Gold belt. The property lies about 50 kilometres south of the large Candelaria copper-gold-silver-iron mine. It consists of 5,667 hectares covering the historic Chanchero gold camp and numerous areas of historic oxide copper workings.

The Company initially became involved in the property in 1996 as a joint venture with Princeton Mining to explore for acid-soluble copper deposits. During the course of this exploration the Chanchero gold camp was re-discovered and added to the property. In 1998 the Company bought out Princeton's interest. The property was dormant between 1999 and 2002 but reactivated in late 2003. To date the Company has conducted property-wide geological, geochemical, geophysical surveys and limited trenching and drilling. The surveys delineated five major gold bearing structure zones between 200 and 1000 metres in length. Within these zones a number of gold exploration targets were identified.

In November 2007, the Company commenced a 7,000 metre drill program to test the identified gold targets. Drill results failed to corroborate the positive gold values obtained by previous surface sampling. However, areas of significant silver-copper mineralization identified in shears and mantos within volcanic strata in the eastern sector of the property justified additional work. Highlights included drill hole RC56, which intersected 40 metres of 16 g/t silver including 13 metres of 40 g/t silver and RC58 which intersected 40 metres of 8.2 g/t silver.

On February 21, 2008, following completion of an induced polarization ('IP") survey, the Company announced the discovery of an IP anomaly in the Chanchero zone. The large near-surface anomaly is elongated northeast-southwest, the core of which measures 900 by 300 metres and is open ro extension at depth. The intensity and homogeneity of this chargeability response, coincident with a strong magnetic low anomaly and coupled with the presence of an altered porphyry intrusion may indicate the presence of a large sulphide-rich system at moderate depth.

In February 2011 the Company completed an Airborne ZTEM survey over the Tierra de Oro property in areas where potential iron oxide copper gold ("IOCG") targets and mineralized zones had been previously identified by geological, geochemical and ground geophysical programs. Two magnetic anomalies of significant size were identified: one north of the Chanchero zone and another located in the area known as Las Lomitas zone and associated with copper-silver manto prospects.

In the spring and summer of 2013 a complete review and analysis of TDO was completed by Dr. Chris Hodgson, VP of Exploration for the Company. As a result, the Company has identified two potential bulk copper-gold targets that the Company believes warrant a targeted exploratory drill program.

During the year ended December 31, 2015, the Company incurred costs of $108,969 (2014 - $16,520) on the Tierra de Oro project, including geological remuneration included in administration fees in the consolidated financial statements.

Zulema

In 2013, the Company acquired 23 exploration concessions totaling approximately 2,105 hectares surrounding its five then existing Zulema mining concessions in Chile's Third Region. In 2014, the Company acquired nine additional mining concessions totaling 724 hectares from a third party. Subsequent to December 31, 2014, the Company completed the acquisition from another third party of three additional mining concessions totaling 600 hectares. The Zulema property now consists of 4,300 hectares (10,626 acres). All concessions are held 100% by IPBX, with no underlying third party royalty or net profits interest. The project is located 30 kilometres from the giant Cu Au Candelaria mine of Lundin Mining Corporation and in a very similar geological environment.

The Company is currently engaged in ongoing discussions with several mining companies and financial groups with a view to potential investment and / or joint venture. The Company is optimistic the project will see an initial drill program by the third quarter of 2016.

During the year ended December 31, 2015, the Company incurred costs of $260,551 (2014 - $25,000) on the project, which includes remuneration for geological work included in administration fees in the consolidated financial statements.

Capitalized costs incurred on the Company's exploration and evaluation assets for the year ended December 31, 2014 and year ended December 31, 2015:

	Sierra Pintada	Tierra de Oro	Zulema	Other	Total
Balance, December 31, 2013	**$ 1,055,743**	**$ 4,460,483**	**$ -**	**$ 48,587**	**$ 5,564,813**
Acquisition and staking	-	-	56,569	-	56,569
Exploration					
Claim costs	-	-	735	-	735
Exploration and acquisition costs 2014	-	-	57,304	-	57,304
Impairment loss	(1,055,743)	-	-	-	(1,055,743)
Balance, December 31, 2014	**-**	**4,460,483**	**57,304**	**48,587**	**4,566,374**
Acquisition and staking	-	-	90,732	-	90,732
Exploration					
Project management	-	-	14,433	-	14,433
Claim costs	-	108,969	117,357	-	226,326
Exploration and acquisition costs 2015	-	108,969	222,522	-	331,491
Balance, December 31, 2015	**$ -**	**$ 4,569,452**	**$ 279,826**	**$ 48,587**	**$ 4,897,865**

SELECTED ANNUAL FINANCIAL INFORMATION

The following is selected financial data derived from the audited consolidated financial statements of the Company at December 31, 2015, December 31, 2014 and December 31, 2013 and for the years ended December 31, 2015, December 31, 2014 and December 31, 2013.

	Year ended December 31, 2015 ($)	Year ended December 31, 2014 ($)	Year ended December 31, 2013 ($)
Total revenues	Nil	Nil	Nil
Total loss	606,624	1,642,717	19,533,599
Net loss per share - basic and diluted	0.02	0.08	1.23

	As at December 31, 2015 ($)	As at December 31, 2014 ($)	As at December 31, 2013 ($)
Total assets	4,922,310	4,704,460	8,413,977
Total non-current financial liabilities	Nil	Nil	Nil
Distribution or cash dividends	Nil	Nil	Nil

RESULTS OF OPERATIONS

Year ended December 31, 2015, compared with year ended December 31, 2014

The Company's loss for the year ended December 31, 2015 was $606,624 ($0.02 per share), compared to $1,642,717 ($0.08 per share) for the year ended December 31, 2014. Total operating expenses for the 2015 fiscal period were $606,624 compared to $1,007,622 for 2014. Significant variations are described below.

There was a realized gain on disposal of camp of $Nil (2014 - $318,901) when the Company closed the sale of the Copaquire property on March 24, 2014. As at December 31, 2013 the Company treated the Copaquire mineral property and the corresponding exploration camp as Assets held for Sale under IFRS (refer to Note 6 of the consolidated financial statements). IFRS requires non-current assets held for sale to be measured at the lower of their previous carrying amount and fair value less costs to sell. As such the Copaquire mineral property was measured at its fair value less costs to sell. However, the exploration camp's lower of the two aforementioned amounts was its carrying amount. The proceeds attributed to the exploration camp per the sale agreement was $515,759. As such upon closing of the sale of the mineral property and the exploration camp on March 24, 2014 a gain was recognized on the disposition of the exploration camp for the difference between its disposal value and carrying amount. Since the mineral property was measured at fair value less costs to sell at December 31, 2013 there was no additional gain/loss to recognize on the closing of the sale for the Copaquire mineral property.

Share-based payment expenses included in loss are a non-cash accounting entry and include all share-based awards such as stock options granted to directors, officers, employees and consultants. The awards are measured and recognized using a fair value based method in accordance with the IFRS 2. The value of share-based payments totaled $Nil (2014 - $202,000). These compensation expenses were calculated using a fair-value model based on the Black-Scholes fair value option pricing model.

Professional fees consist of legal, audit and accounting fees. Professional fees amounted to $105,047 (2014 - $183,480), a decrease of $78,433 from the comparative period due to incurring minimal legal costs during the current period.

Administration fees were $203,403 (2014 - $384,409), a decrease of $181,006. Administration fees decreased due to consulting services in the prior year related to the Copaquire sale provided by certain officers and directors of the Company and in connection with the Company becoming listed on the OTCQX International, a segment of the OTCQX marketplace in the U.S.

Generative exploration recovery amounted to $Nil (2014 - $15,701), a decrease of $15,701 due to a recovery of drilling chemical expenses in the prior period.

Transfer agent and regulatory fees consist of fees paid to government, transfer agent, TSX Venture exchange and other regulators. Transfer agent and regulatory fees amounted to $31,339 (2014 - $59,475), a decrease of $28,136 related to costs in the prior period associated with the name change, the share consolidation, the stock option grant and becoming listed on the OTCQX International.

Foreign exchange loss (gain) amounted to $6,820 (2014 - $(50,818)), a decrease of $(57,638) from the comparative period due to fluctuations of the US dollar and Chilean peso in the period against the Canadian dollar.

Impairment loss on mineral property amounted to $Nil (2014 - $1,055,743), a decrease of $1,055,743 from the comparative period. During the prior period, the Company made the decision to abandon and abandoned the Sierra Pintada claims.

Other income amounted to $Nil (2014 - $101,747), a decrease of $101,747 from the comparative period due to the write-off of management fees payable as a result of the claim against the Company by a former officer and director of the Company being denied by a Court decision. See "Related Party Transactions" below.

Three months ended December 31, 2015, compared with three months ended December 31, 2014

The Company's loss for the three months ended December 31, 2015 was $189,938 ($0.01 per share), compared to income of $33,901 ($0.00 per share) for 2014. Total operating expenses for the 2015 fiscal period were $189,938 compared to $67,846 for 2014. Significant variations are described below.

Professional fees consist of legal, audit and accounting fees. Professional fees amounted to $45,767 (2014 - $(12,779)), an increase of $58,546 from the comparative period due to the reversal of legal costs forgiven during the prior period.

Bank and interest charges amounted to $26,675 (2014 - $3,376), an increase of $23,299 from the comparative period due to interest in the current period on the debentures issued in the current period.

Impairment loss on mineral property amounted to $Nil (2014 - $Nil), a decrease of $Nil from the comparative period. During the prior period, the Company made the decision to abandon and abandoned the Sierra Pintada claims.

Other income amounted to $Nil (2014 - $101,747), an decrease of $101,747 from the comparative period due to the write-off of management fees payable as a result of the claim against the Company by a former officer and director of the Company being denied by a Court decision. See "Related Party Transactions" below.

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Revenues	Loss (Income) for the Period	Loss (Income) Per Share - Basic and Diluted
December 31, 2015	Nil	$ 189,938	$ 0.01
September 30, 2015	Nil	$ 117,708	$ 0.00
June 30, 2015	Nil	$ 139,013	$ 0.01
March 31, 2015	Nil	$ 159,965	$ 0.01
December 31, 2014	Nil	$ (33,901)	$ (0.00)
September 30, 2014	Nil	$ 1,148,561	$ 0.05
June 30, 2014	Nil	$ 566,298	$ 0.03
March 31, 2014	Nil	$ (38,241)	$ (0.00)

LIQUIDITY AND CAPITAL RESOURCES

The Company finances its operations through the sale of its equity securities, bridge loans and other financing activities. The Company has no producing mineral properties. The Company expects to obtain financing in the future primarily through equity financing, loans and convertible debt instruments. There can be no assurance that the Company will succeed in obtaining additional financing, now and in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operations and/or sell its interests in its properties.

The continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management believes it will be able to raise funds as required in the long term, but recognizes the risks attached thereto.

As at December 31, 2015, the Company had cash of $456 (December 31, 2014 - $70,255) and liabilities of $1,202,197 (December 31, 2014 – $477,621).

As of December 31, 2015, the Company has a working capital deficit of $1,190,001 (December 31, 2014 - $357,034). The Company intends to raise additional debt or equity funds to meet its short-term commitments and its ongoing exploration activities (see "Proposed Transactions" below).

During the year ended December 31, 2015, the Company used cash of $405,981 (year ended December 31, 2014 – $1,444,119) on operating activities. Cash used in operations consist of cash used to fund the loss for the period less the impact of non cash items, and the cash used for working capital purposes.

During the year ended December 31, 2015, the Company received $405,673 (year ended December 31, 2014 - used $1,351,227) on financing activities. The Company made loan repayments of $Nil (year ended December 31, 2014 - $249,310), had debenture issuances, net of issue costs, of $301,673 (year ended December 31, 2014 - debenture repayments of $1,943,365), had advances from Cogonov of $50,000 (year ended December 31, 2014 - $Nil), had an advance from a related party of $54,000 (year ended December 31, 2014 - $Nil) and had share issuances, net of issue costs, of $Nil (year ended December 31, 2014 - share issuances, net of issue costs, of $841,448).

The Company used $69,491 (year ended December 31, 2014 – received $2,802,699) in investing activities. Cash used in investing activities in the current period consists of the acquisition of and expenditures on mineral exploration properties. Cash provided from investing activities in the prior period consists of cash received from the sale of the Copaquire Mineral Property.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, debenture payable, advance from related party and loan payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature and current market rates for similar financial instruments. As at December 31, 2015, the fair value of these financial instruments approximates their carrying values due to their short-term maturity.

FINANCIAL RISK MANAGEMENT

a) Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places cash with financial institutions. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts.

b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2015, the Company had cash of $456 (December 31, 2014 - $70,255) to settle current liabilities of $1,202,197 (December 31, 2014 - $477,621). All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms, except for the loan payable which was due on May 31, 2015 and the debenture which is due on the earliest of the sale of the Copaquire 3% NSR and October 31, 2016. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity and the Company's ability to continue as a going concern.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to interest rate risk because it does not have loans that have a floating interest rate.

d) Foreign currency risk

The Company's functional currency is the Canadian dollar. However, the Company is exposed to the currency risk related to the fluctuation of foreign exchange rates as some of the Company's operations are located in Chile. A significant change in the currency exchange rates between the Canadian dollar relative to the Chilean peso could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations. The sensitivity of the Company's net loss and comprehensive loss to changes in the exchange rate between the Canadian dollar and the Chilean peso resulting from a 1% change in the Chilean peso exchange rate relative to the Canadian dollar would change the Company's net loss by approximately $4,800.

The Company is also exposed to the currency risk related to the fluctuation of US Dollar as some of the Company's expenses are denominated in US Dollars. As at December 31, 2015, currency risk for the US Dollar is not significant.

e) Commodity price risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of gold and copper. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders, to maintain creditworthiness and to maximize returns for shareholders over the long term. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares and alternative financing activities dependent on market conditions.

The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2015. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX-V which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2015, the Company is not compliant with Policy 2.5. The impact of this violation is not known and is ultimately dependent on the discretion of the TSX-V.

The Company includes the components of shareholders' equity in its management of capital.

As at December 31, 2015, the Company had capital resources consisting of cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, obtain loans or issue convertible debenture securities to raise cash.

The Company's investment policy is to invest its cash (when available) in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

ENVIRONMENTAL LIABILITIES

The Company is not aware of any environmental liabilities or obligations associated with its mineral properties. The Company is conducting its operations in a manner consistent with governing environmental legislation.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

DISCLOSURE OF INTERNAL CONTROLS

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

RELATED PARTY 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 December 31, 2015, the directors and/or officers of the Company collectively control 3,024,533 common shares of the Company or approximately 12% of the total common shares outstanding. To the knowledge of directors and officers of the Company, the remainder of the outstanding common shares are held by diverse shareholders. These holdings can change at any time at the discretion of the owner.

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

		Year ended December 31,	
	Notes	**2015**	**2014**
Administration expense	(i)	**$ 144,000**	$ 184,000
Accounting expense	(ii)	**$ 51,964**	$ 64,925
Geological consulting expense	(iii)	**$ 38,029**	$ 58,040
Consulting expense	(iv)	**$ -**	$ 65,000

(i) For the year ended December 31, 2015, the Company incurred consulting fees included in administration expenses from companies controlled by an officer of $144,000 (year ended December 31, 2014 - $184,000).

(ii) For the year ended December 31, 2015, the Company incurred accounting expenses from companies related to officers or former officers of $51,964 (year ended December 31, 2014 - $64,925).

(iii) For the year ended December 31, 2015, the Company incurred geological consulting expenses from a company controlled by a former officer of $38,029 (year ended December 31, 2014 - $58,040).

(iv) For the year ended December 31, 2015, the Company incurred consulting expenses from directors of $Nil (year ended December 31, 2014- $65,000).

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

On March 20, 2013, the Company filed a counterclaim regarding alleged management fees payable of $101,747. The counterclaim is in the amount of $181,600.

During the year ended December 31, 2015, the claim against the Company was dismissed and the Company's counterclaim was allowed in the amount of $81,600 plus interest and other related costs. As a result, the management fees payable of $101,747 were written off during the year ended December 31, 2014. Due to the uncertainty surrounding the collection of the counterclaim, the $81,600 has not been setup in amounts receivable at December 31, 2015 and 2014.

(vi) Terry Lynch, Ian Pirie, Dan Gosselin, Chris Hodgson and James Albrecht either directly or through a company they control, purchased an aggregate of 1,610,000 units in the June 11, 2014 private placement.

(vii) During the year ended December 31, 2015, the son of an officer advanced $54,000 to the Company. These amounts are unsecured, non-interest bearing and due on demand.

(viii) As at December 31, 2015, included in accounts payable and accrued liabilities is $77,686 (December 31, 2014 - $8,312) due to directors and key management. These amounts are unsecured, non-interest bearing and due on demand.

	As at December 31, 2015	**As at December 31, 2014**
Terry Lynch - CEO (Former), President and Director	**$ 27,120**	$ -
Daniel Crandall - CFO	**24,539**	8,312
Chris Hodgson - VP Exploration (Former)	**24,990**	-
Ian Pirie - Director	**1,037**	-
	$ 77,686	$ 8,312

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

Salaries and benefits	**Year ended December 31, 2015**	**2014**
Terry Lynch - CEO (Former), President and Director	**$ 144,000**	$ 184,000
Daniel Crandall - CFO	**51,964**	31,425
James Albrecht - CFO (Former)	**-**	33,500
Chris Hodgson - VP Exploration (Former)	**38,029**	58,040
Peter Kent - Director	**-**	35,000
Ian Pirie - Director	**-**	20,000
Dan Gosselin - Director	**-**	10,000
Total remuneration	**$ 233,993**	$ 371,965

Share-based payments			**Year ended December 31, 2015**	**2014**
Terry Lynch - CEO (Former), President and Director	**$ -**	$ -	**$ -**	$ 80,800
Daniel Crandall - CFO	**-**	-	**-**	12,120
James Albrecht - CFO (Former)	**-**	-	**-**	12,120
Chris Hodgson - VP Exploration (Former)	**-**	-	**-**	24,240
Peter Kent - Director	**-**	-	**-**	24,240
Ian Pirie - Director	**-**	-	**-**	24,240
Dan Gosselin - Director	**-**	-	**-**	12,120
Zhangliang Lou - Director	**-**	-	**-**	12,120
Total share-based payments	**$ -**	$ -	**$ -**	$ 202,000

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.

OUTSTANDING SHARE DATA

The Company's authorized capital is unlimited common shares without par value. At the date of this MD&A, the Company had 25,193,374 common shares issued and outstanding and 2,150,000 shares to be issued for warrants exercised.

Stock options outstanding for the Company at the date of this MD&A were as follows:

Options	Exercise Price	Expiry Date
1,880,000	$ 0.25	June 11, 2019
1,880,000		

Warrants outstanding for the Company at the date of this MD&A were as follows:

Warrants	Exercise Price	Expiry Date
1,000,000	$ 0.05	October 31, 2016
1,000,000		

COMMITMENTS

Pursuant to a consulting agreement with the President, in the event of termination or a change of control of the Company, the President is entitled to receive compensation equal to 12 months of pay of $144,000.

The Company has unpaid property tax for various mineral exploration property claims totaling approximately 235,349,000 Chilean Pesos ($460,000) which has been included in accounts payable and accrued liabilities as at December 31, 2015. 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 2016 on its mineral exploration property claims of approximately 47,800,000 Chilean Pesos ($93,000).

CHANGE IN ACCOUNTING POLICIES

The Company adopted the following accounting pronouncements during the period.

(i) IAS 24 – Related Party Disclosures ("IAS 24") was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. At January 1, 2015, the Company adopted these amendments and there was no material impact on the Company's consolidated financial statements.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

(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 loss, 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) IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

(iii) 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.

PROPOSED TRANSACTIONS

On September 24, 2015, the Company announced it had entered into an agreement to acquire four copper gold projects from Cogonov Inc. ("Cogonov"). The Projects are referred to as Fox River, Lynn, Parrsboro and Bass River have been the focus of considerable exploration efforts over the last several years via Cogonov and historical owners Minotaur Atlantic Exploration Ltd.

The structure of the acquisition is subject to receipt of tax, corporate and securities law advice for both of Chilean Metals and Cogonov. Once the structure is determined, the letter agreement will be replaced with a definitive agreement. It is currently contemplated that Chilean Metals will issue an estimated 26,500,000 common shares to the shareholders of Cogonov (directly or indirectly). No new control persons or insiders are expected to be created in Chilean Metals by the issuance of the Chilean Metals shares.

Cogonov's four properties in central Nova Scotia are part of their IOCG regional exploration program. The claims cover select Iron Oxide-Copper-Gold (IOCG) exploration targets previously delineated by Minotaur Exploration (Australia) along the Cobequid-Chedabucto Fault Zone (CCFZ). The CCFZ is a 300 km long fault structure that hosts over 100 mineral occurrences, past producing mines and deposits of Iron Oxide, Copper, Cobalt, Gold, Nickel and Barite. These projects have been part of a IOCG exploration program to reinterpret and re-examine the mineral potential of Nova Scotia.

As part of the non-binding letter agreement, Chilean Metals received a non-refundable $50,000 fee, which will be accounted for as part of the acquisition at the time it closes, or recognized in the statement of loss if a definitive agreement is not reached. Subsequently the parties expect to arrange a minimum of $373,000 equity financing for Chilean Metals, of which $123,000 has been raised to date, to be priced at a later date. The funds will be used for general working capital purposes.

The proposed acquisition is subject to the parties negotiating and entering into a definitive transaction agreement and applicable TSX-V and other regulatory approvals.

SUBSEQUENT EVENTS

Subsequent to December 31, 2015, 2,150,000 warrants were exercised through the conversion of the corresponding debentures with a principal balance of $107,500.

Subsequent to December 31, 2015, Patrick J Cruickshank was appointed CEO of the Company.

RISK FACTORS

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.sedar.com).

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

Nature of Mineral Exploration and Mining

The Company's future is dependent on the Company's exploration and evaluation programs. The exploration and evaluation of mineral deposits involves significant financial risks over a prolonged period of time, which a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into economically viable operating mines. Major expenditures on the Company's exploration properties may be required in constructing mining and processing facilities at a site, and it is possible that even preliminary due diligence will show adverse results, leading to the abandonment of projects. It is impossible to ensure that preliminary feasibility studies or final feasibility studies on the Company's projects or the current or proposed exploration programs on any of the properties in which the Company has exploration rights will result in any profitable commercial mining operation. The Company cannot give any assurance that its current and future exploration activities will result in a discovery of mineral deposits containing Mineral Reserves. The Company's exploration and evaluation may be hampered by mining, heritage and environmental legislation, industrial accidents, industrial disputes, cost overruns, land claims and compensation and other unforeseen contingencies.

The Company does not currently operate a mine on any of its properties. There is no certainty that the expenditures made by the Company towards the search for and evaluation of mineral deposits will result in discoveries that are commercially viable. Whether a deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of metal concentrates, exchange controls and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of any or all of these factors may result in the Company not receiving an adequate return on invested capital or have a material adverse effect on the Company's business and financial condition. In addition, assuming discovery of a commercial ore-body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced. Most of the above factors are beyond the Company's control.

Limited Operating History

The Company's properties are in the exploration stage and are not commercially viable at this time. The Company has not recorded any revenues from mining operations and there is no certainty that the exploration expenditures towards the search and evaluation of mineral deposits will result in discoveries of commercial quantities of ore or that the Company will generate revenue, operate profitably or provide a return on investment in the future. There can be no assurance that significant additional losses will not occur in the future. The operating expenses and capital expenditures may increase in subsequent years with advancing exploration, evaluation, development of properties if proven successful and/or production of the properties. The Company does not expect to receive revenues from operations in the foreseeable future. The Company expects to incur losses until such time as its properties enter into commercial production and generate sufficient revenue to fund its continuing operations. The development of the Company's properties will require the commitment of substantial resources and there can be no assurance that the Company will be able to finance its operations externally.

There can be no assurance that the Company's exploration programs will result in locating commercially exploitable mineral ores or that its properties will be successfully developed. There can be no assurance that the underlying assumed levels of expenses will prove to be accurate.

Ability to Continue as a Going Concern

The Company's ability to continue as a going concern is dependent upon its ability to continue to raise adequate financing to fund its continuing exploration, evaluation activities and development of properties if they are proven successful. There is no assurance that the Company will either achieve or maintain profitability in the future.

Requirement for Further Financing

The further exploration of the various mineral properties in which the Company holds interests and the acquisition of additional properties depends upon the Company's ability to obtain financing through joint ventures of projects, debt financing, equity financing or other means. There can be no assurance that the Company will able to raise the balance of the financing required or that such financing can be obtained without substantial dilution to shareholders. Failure to obtain additional financing on a timely basis could cause the Company to reduce or terminate its operations or lose its interest in one or more of its properties.

In order to continue exploring the Company's mineral properties and acquiring additional properties, management will be required to pursue additional sources of financing. While management has been successful in obtaining such financing in the past, there is no assurance that it will be successful in the future. Failure to obtain sufficient financing may result in delaying or indefinitely postponing exploration, evaluation, development of or production on any or all of the Company's properties if they are proven successful, or even loss of property interest. It may also prevent the Company from meeting its obligations under agreements to which it is a party as a result of which, its interest in the properties may be reduced. There can be no assurance that additional capital or other types of financing, if needed, will be available or, if available, the terms of such financing will be favourable to the Company.

The amount of administrative expenditures is related to the level of financing and exploration activities that are being conducted, which in turn may depend on our recent exploration experience and prospects, as well as general market conditions relating to the availability of funding for exploration-stage resource companies. As a result, there may not be predictable or observable trends in our business activities and comparison of financial operating results with prior years may not be meaningful.

Title Matters

The Company has taken reasonable measures, in accordance with industry standards for properties at the same stage of exploration as those of the Company to ensure proper title to its properties. However, there is no guarantee that title to any of its properties will not be challenged or impugned. Title insurance generally is not available for mining claims in Canada and the Company's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be limited. The Company's properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate the properties as permitted or to enforce its rights with respect to its properties. The failure to comply with all applicable laws and regulations, including a failure to pay taxes, carry out and file assessment work, may invalidate title to portions of the properties where the mineral rights are not held by the Company.

Market Factors and Volatility of Ore Prices

There is no assurance that a profitable market will exist for the sale of mineralized material which may be acquired or discovered by the Company. There can be no assurance that ore prices received will be such that the Company's properties can be mined at a profit. Prices of minerals have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control. Commodity prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.

Future mineral prices cannot be accurately predicted. A severe decline in the price of a mineral being produced or expected to be produced by the Company would have a material adverse effect on the Company, and could result in the suspension of mining operations by the Company if such mining operations have commenced. Factors impacting the price of ore include political and economic conditions in mineral producing and consuming countries and production levels and costs of production in other jurisdictions.

Environmental Regulations and other Regulatory Requirements

The Company is subject to substantial environmental and other regulatory requirements and such regulations are becoming more stringent. All phases of exploration and development operations are subject to environmental regulations. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests which are presently unknown to the Company and which have been caused by previous or existing owners or operators of the properties.

Although the Company intends to comply fully with all environmental regulations, failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Conflicts of Interest

Certain directors and officers of the Company may become or are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company will be required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required under the British Colombia Business Corporations Act to disclose his interest and to abstain from voting on such matter.

Market Price of Common Shares

Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Common Shares is also likely to be significantly affected by short-term changes in precious and base metal mineral prices or in its financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of the

Common Shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Company's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the price of the Common Shares at any given point in time may not accurately reflect the Company's long-term value.

Foreign Jurisdictions

The Company's projects are located in foreign jurisdictions and are subject to risks relating to political stability and changes in laws relating to foreign ownership, government participation, taxation, royalties, duties, rates of exchange, exchange controls, export controls, land use and operational safety, and the potential for terrorism or military repression. Because a significant percentage of its operating costs, exploration expenditures and lease maintenance and acquisition costs are denominated in Chilean Pesos, the Company's results of operations are subject to the effects of fluctuations in exchange rates and inflation. The Company does not engage in any hedging activities to minimize such risks.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

	Year ended December 31,	
Administrative expenses	**2015**	**2014**
Administration fees	$ 203,403	$ 384,409
Amortization	5,250	8,852
Bank and interest charges	74,503	56,568
Foreign exchange loss (gain)	6,820	(50,818)
Generative exploration expense (recovery)	-	(15,701)
Investor relations	10,578	13,698
Office and miscellaneous	158,605	134,823
Professional fees	105,047	183,480
Share-based payments	-	202,000
Transfer agent, and regulatory	31,339	59,475
Travel, promotion and mining shows	11,079	30,836
Total	**$ 606,624**	**$ 1,007,622**

	Year ended December 31,	
Other material expenses (income)	**2015**	**2014**
Other income	$ -	$ (101,747)
Realized gain on disposal of camp	-	(318,901)
Impairment loss on mineral property	-	1,055,743
Total	**$ -**	**$ 635,095**

Additional disclosure concerning the Company's resource property costs are broken down in the "Exploration" section above.