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**CHILEAN METALS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

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## **MANAGEMENT DISCUSSION AND ANALYSIS**

The following Management's Discussion and Analysis ("MD&A") dated as of July 15, 2020, 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, 2019 and 2018. 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, 2019 and 2018 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 July 15, 2020, 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") 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](http://www.sedar.com) and the Company's website [www.chileanmetals.com](http://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
<p>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, 2019</p> <p>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</p>	The operating and exploration activities of the Company for the next twelve months and beyond, starting from December 31, 2019, 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 years ended December 31, 2020, 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 audited consolidated 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, cobalt and iron on its various properties located in Chile and Nova Scotia. Exploring in Chile is done 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").

## **OVERALL PERFORMANCE**

As at December 31, 2019, the Company had assets of \$93,752 and a net deficiency position of \$2,670,030. This compares with assets of \$252,026 and a net deficiency position of \$1,479,334 at December 31, 2018. At December 31, 2019, the Company had \$2,763,782 of liabilities (December 31, 2018 – \$1,731,360 of liabilities).

At December 31, 2019, the Company had a working capital deficit of \$2,605,080, compared to working capital deficit of \$1,413,964 at December 31, 2018, an increase in deficit of \$1,191,116. The Company had cash of \$7,438 at December 31, 2019 compared to \$29,960 at December 31, 2018, a decrease of (22,522). The Company needs to secure additional financing to carry on business activities for the twelve months ending December 31, 2020 (see below).

## **EXPLORATION**

### **Zulema, Chile**

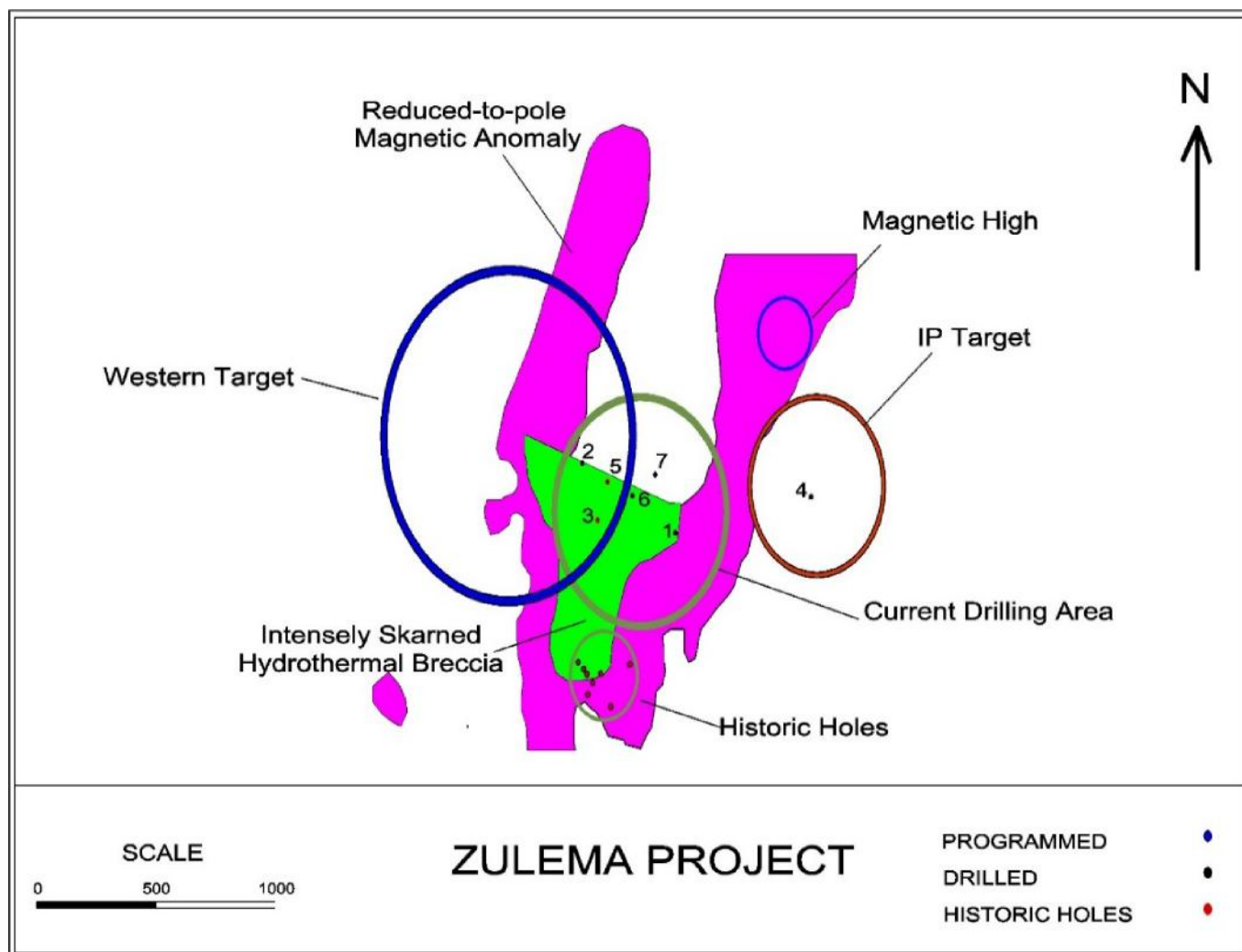
In 2013, the Company acquired 23 exploration concessions totaling approximately 2,105 hectares surrounding its five then existing Zulema mining concessions in Chile's Third Region. In 2014, the Company acquired nine additional mining concessions totaling 724 hectares from a third party. In March 2015, 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.

During the year ended December 31, 2017, the Company commenced drilling its Zulema project. With the Candelaria mine as a model, the exploratory drill program is testing two geologically distinct targets: a 1+ square km. area of intense garnet scapolite skarn breccia (Skarn Target) and a large Induced Polarization chargeability anomaly on its eastern flank. (IP Target). The initial results released on February 27, 2017 suggested to Chilean that it had found in our assessment, IOCG style mineralization.

Drill holes 1, 6 and 7 assisted in defining the boundaries of the eastern skarn and related sulphide mineralization. Drill hole 4, targeting the IP target, was terminated before reaching bedrock. The target remains open. Hole 3 had a six meter section from 285.32 – 291.32 meters which contained 0.66% Cu, 23.6% Fe and .52 grams of gold/tonne. It also contained an additional intercept from 325.20 to 335.20 that assayed .34% Cu, 10 % Fe and .16 grams of gold/tonne. Hole 5 located 272 meters north and east of 3 also had some interesting highlights. In particular, we see several lenses of two and four meters in length with individual 2 meters sections assaying up to .43% Cu, 4.9 % Fe and .29 grams of gold/tonne.

Initial drill results confirm that host rocks and alteration fit the Candelaria model. The presence of copper-bearing magnetite skarn, interbedded magnetite chalcopyrite bands, more massive chalcopyrite in drill hole 5, biotite magnetite alteration, potassic (K-spar), magnetite and hematite veining and local mineralized breccias suggests proximity to the main mineralized target.

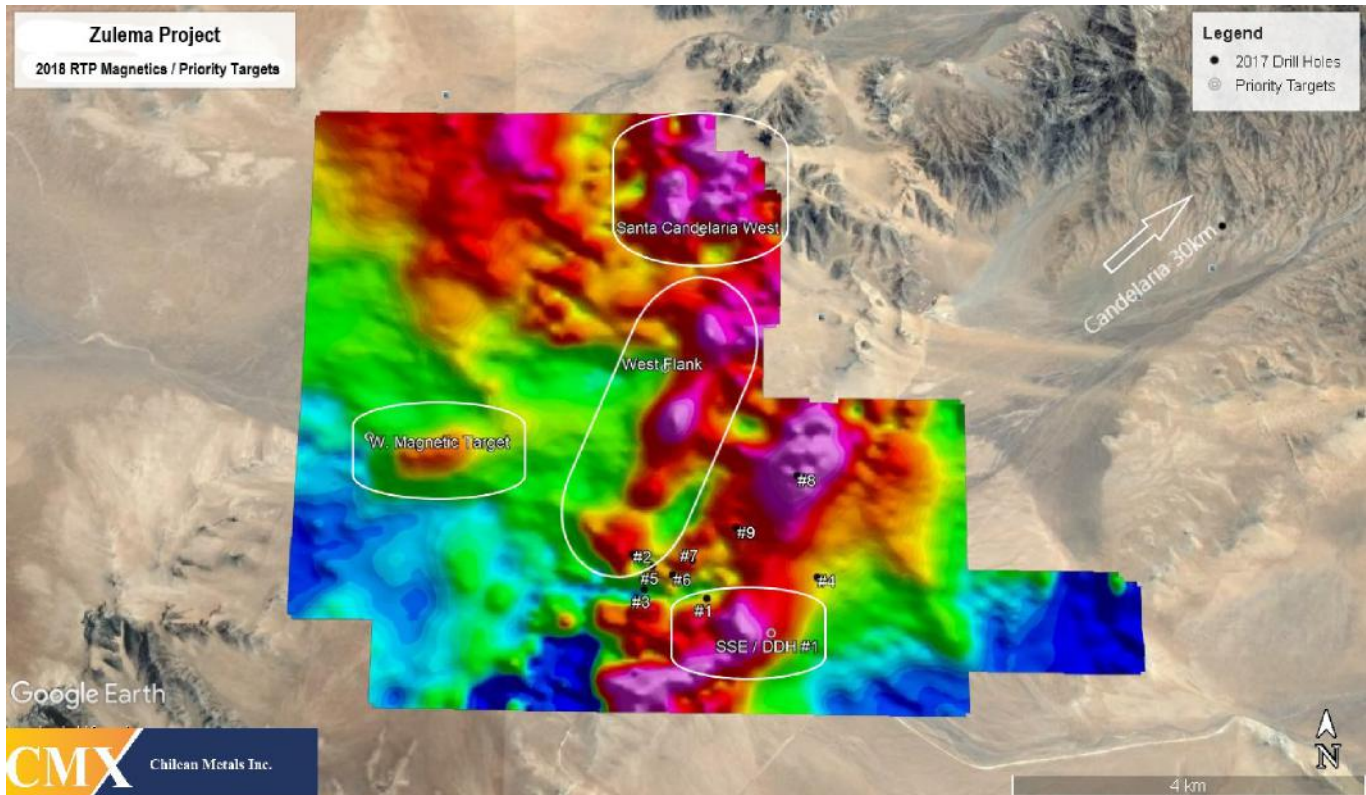
A review of the drill core has been completed with the results suggesting the focus of ongoing exploration should be towards the west near drill holes 2, 3 and 5 where the skarn appears a more receptive host for mineralization. In drill hole 2, quartz stock-working and siliceous breccia suggest proximity to a high temperature heat source / intrusion. Directly east of drill hole 2 at drill-hole 5, widespread low grade copper mineralization is accompanied by a more robust style of chalcopyrite occurring as large 1 cm. clots within the skarn. Due south of 5, drill hole 3 contained large sections of skarn including several lenses of iron rich, IOCG style copper mineralization. Holes 2, 3, 5 assays are reported in detail in the April 3, 2017 press release.



The Company engaged Southern Rock Geophysics, a consulting firm with over 20 years experience in the Andean Region. Familiar with both the Porphyry and IOCG depositional models, Southern Rock brings the expertise required to search for a blind target in the challenging desert of Chile.

242-line kilometers of data was collected along 55 north – south survey line segments in order to assist in target selection prior to the Company’s planned Phase II drill program. The results of the survey were positive, delineating 4 key target areas for detailed follow-up in 2019.





The magnetic survey delineated a 2km. wide corridor trending northeast from the southern margin of the survey area north to the Santa Candelaria workings as shown in Figure 1. A preliminary review of the data indicates there are 4 target areas that require detailed follow-up. From north to south, the targets are Santa Candelaria West, the West Flank, SW Magnetic High and SSE / DDH#1.

The Santa Candelaria target lies due west of the Santa Candelaria mine workings where Cu mineralization is characterized by chalcopyrite disseminations and veins within a magnetite / hematite calcisilicate skarn. Exposure is relatively abundant west of the workings and will be investigated prior to the commencement of a gravity survey.

The West Flank of the magnetic corridor is a priority target due to the style of mineralization encountered in drill hole #5 where coarse-grained chalcopyrite was noted at depth. Elevated magnetics northwest of Drill hole #5 in addition to a large peak along the western edge of the corridor are priority targets.

In the western portion of the project, the SW Magnetic Target is easily identifiable and located due east of a copper showing and along a NW trending lineament. The target is covered by alluvial material and will require additional ground geophysics and processing to resolve its potential.

To the southeast of drill hole #1, a magnetic high has been identified along the eastern edge of the magnetic corridor. This target is along the eastern edge of a copper bearing hydrothermal breccia that was drilled in 2017. Its location along a very sharp magnetic boundary at an interpreted intersection of the same NW trending lineament crosscutting the SW Magnetic Target makes it a priority.

The Company intends to conduct additional IP Ground work on specific Zulema targets prior to developing drilling plans which it expects to conduct in 2021.

## 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 to 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. As a result, the Company has identified two potential bulk copper-gold targets that the Company believes warrant a targeted exploratory drill program.

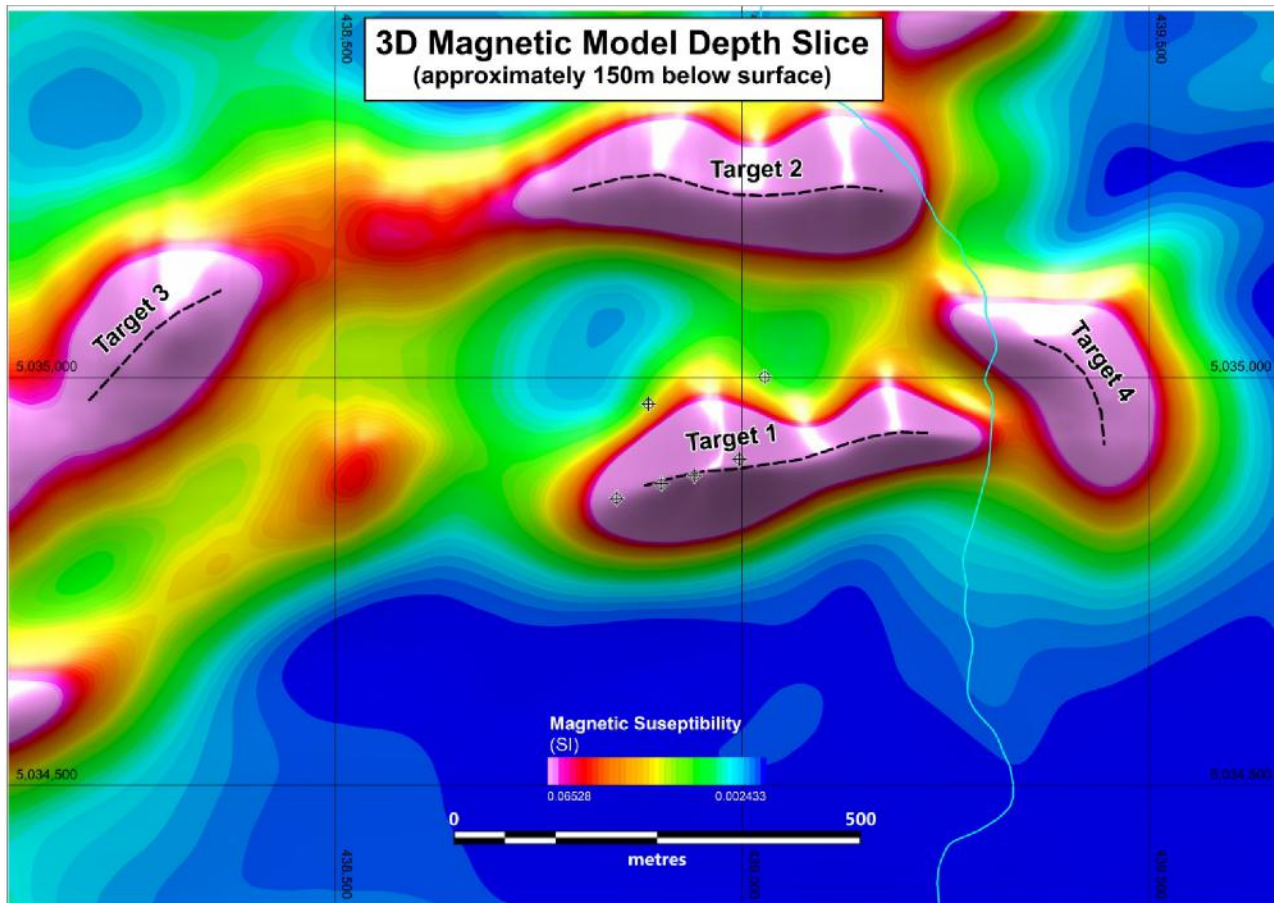
During the year ended December 31, 2019, the Company engaged the services of Windfall Geotek (formerly Albert Mining); a leading Artificial Intelligence firm in the mining sector. Windfal used its proprietary CARDS (Computer Aided Resource Detection System) to analyze the many years of geological, geophysical and geochemical data accumulated by CMX. The data identified five areas of interest. One is the primary drilling target previously identified as Chanchero. The other four are gold copper targets.

The Company is finalizing its review of the data with a plan to drill Chanchero and the other four targets in Q3 and Q4 of 2020.



## Nova Scotia

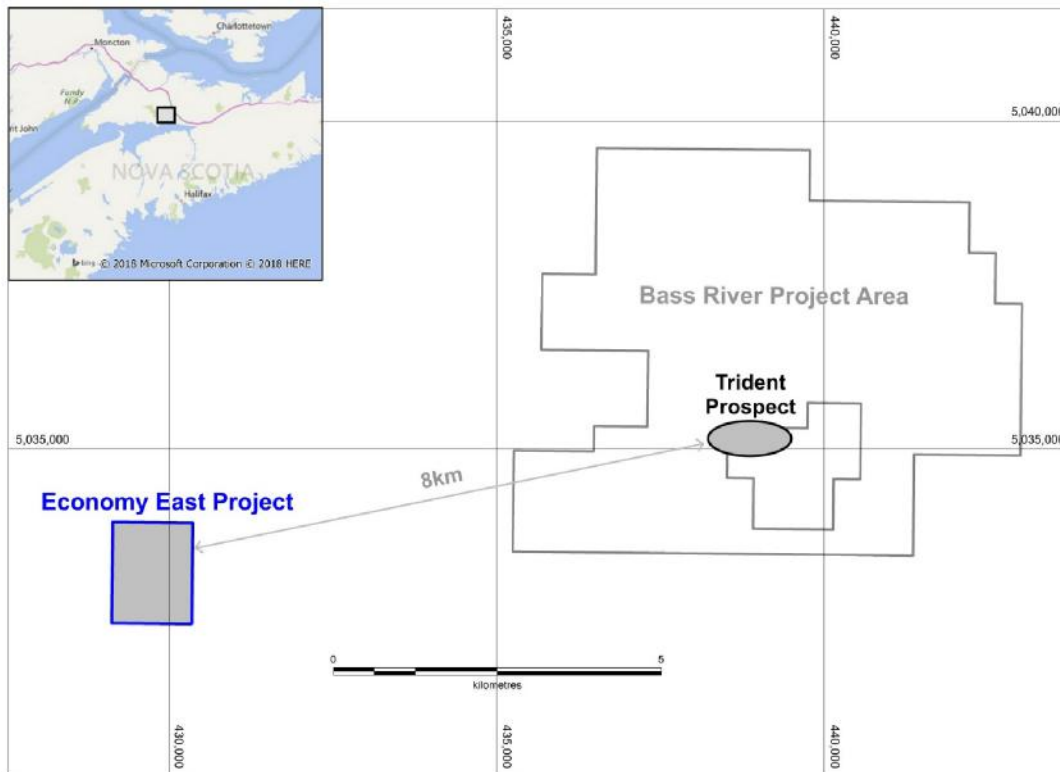
The Company conducted a strategic review of its Nova Scotia assets in the fourth quarter of 2019. Subsequent to this review it has decided to abandon its exploration efforts in Nova Scotia.



### Economy East Project - Option

The Company has decided not to pursue additional exploration in Nova Scotia and as a result has discontinued its option with Elk Exploration Ltd. (the "Optionor") to acquire 3 Licenses containing 720 acres representing the balance of land located within the Bass River concessions.

The Company has dropped the Economy East project.



### Other Chile Properties

The Company owns additional mining concessions in Chile related to the Hornitos, Palo Negro and Tabaco properties.

### Costs incurred on the Company's exploration and evaluation assets for the year ended December 31, 2019 and December 31, 2018:

	Tierra de Oro	Zulema	Nova Scotia	Total
Acquisition and staking	\$ -	\$ -	\$ 34,640	\$ 34,640
Property option proceeds	-	-	(35,150)	(35,150)
Exploration				
Claim costs	156,446	118,880	14,442	289,768
Drilling	-	-	54,341	54,341
Field costs	-	-	70,701	70,701
Geological	-	123,391	63,505	186,896
Assays	-	3,131	7,927	11,058
Technical Report	-	-	109,842	109,842
<b>Exploration and acquisition costs 2018</b>	<b>\$ 156,446</b>	<b>\$ 245,402</b>	<b>\$ 320,248</b>	<b>\$ 722,096</b>
Exploration				
Assay	\$ -	\$ 5,157	\$ -	\$ 5,157
Claim costs	-	168,331	47,905	216,236
Option payments	-	-	5,000	5,000
Field costs	-	120,909	29,992	150,901
Geophysics	-	92,756	-	92,756
<b>Exploration and acquisition costs 2019</b>	<b>\$ -</b>	<b>\$ 387,153</b>	<b>\$ 82,897</b>	<b>\$ 470,050</b>

The Qualified Person for Chilean Metals Inc., as defined by National Instrument 43-101, is Mick Sharry, M.Sc. Mr. Sharry has read and approved the technical and scientific information contained in this MD&A.

## SELECTED ANNUAL FINANCIAL INFORMATION

The following is selected financial data derived from the audited consolidated financial statements of the Company at December 31, 2019, December 31, 2018 and December 31, 2017.

	Year ended December 31, 2019 (\$)	Year ended December 31, 2018 (\$)	Year ended December 31, 2017 (\$)
Total revenues	nil	nil	nil
Total loss	1,190,696	2,142,965	2,488,219
Net loss per share - basic and diluted	0.08	0.18	0.13

	As at December 31, 2019 (\$)	As at December 31, 2018 (\$)	As at December 31, 2017 (\$)
Total assets	93,752	252,026	398,721
Total non-current financial liabilities	69,554	69,554	69,554
Distribution or cash dividends	nil	nil	nil

## RESULTS OF OPERATIONS

### Year ended December 31, 2019, compared with year ended December 31, 2018

The Company's loss for the year ended December 31, 2019 was \$1,190,696 (\$0.08 per share), compared to \$2,142,965 (\$0.18 per share) for the year ended December 31, 2018. Total operating expenses for the 2019 fiscal period were \$1,246,755 compared to \$2,169,438 for 2018. Significant variations are described below.

Exploration and acquisition costs amounted to \$470,050 (2018 - \$722,096), a decrease of \$252,046 from the comparative period. See "Exploration" above for description of work done.

Professional fees consist of legal, audit and accounting fees. Professional fees amounted to \$175,277 (2018 - \$408,892), a decrease of \$233,615 from the comparative period due to incurring minimal legal costs during the current period.

Administration fees were \$338,439 (2018 - \$331,174), an increase of \$7,265. This was due to normal fluctuations in operational activities.

Investor relations amounted to \$170,530 (2018 - \$262,203), an decrease of \$91,673 from the comparative period due to consultants being engaged in the current period as well as the decreased activity of the Company.

### Three months ended December 31, 2019, compared with three months ended December 31, 2018

The Company's loss for the three months ended December 31, 2019 was \$351,241 (\$0.03 per share), compared to loss of \$532,718 (\$0.02 per share) for 2018. Total operating expenses for the 2019 fiscal period were \$407,300 compared to \$516,848 for 2018. Significant variations are described below.

Exploration and acquisition costs amounted to \$212,346 (2018 - \$140,280), an increase of \$72,066 from the comparative period. See "Exploration" above for description of work done.

Professional fees consist of legal, audit and accounting fees. Professional fees amounted to \$18,299 (2018 - \$164,831), a decrease of \$146,532 from the comparative period due mainly to legal and accounting fees during the period.

## SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Revenues	Loss for the Period	Loss Per Share - Basic and Diluted
December 31, 2019	\$ nil	\$ 351,241	\$ 0.03
September 30, 2019	\$ nil	\$ 348,227	\$ 0.02
June 30, 2019	\$ nil	\$ 273,550	\$ 0.02
March 31, 2019	\$ nil	\$ 217,703	\$ 0.01
December 31, 2018	\$ nil	\$ 532,718	\$ 0.05
September 30, 2018	\$ nil	\$ 454,863	\$ 0.05
June 30, 2018	\$ nil	\$ 581,787	\$ 0.05
March 31, 2018	\$ nil	\$ 573,597	\$ 0.03

## 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, 2019, the Company had cash of \$7,438 (December 31, 2018 - \$29,960) and liabilities of \$2,763,782 (December 31, 2018 - \$1,731,360).

As of December 31, 2019, the Company has a working capital deficit of \$2,605,080 (December 31, 2018 - working capital of \$1,413,964). The Company intends to continue to raise additional debt or equity funds to meet its short-term commitments and its ongoing exploration activities (see "Overall Performance").

During the year ended December 31, 2019, the Company had cash of \$496,501 used in operating activities (year ended December 31, 2018 - \$1,648,433 used in operating activities). Cash operating activities and used in operations consist of cash used to fund the loss for the period less the impact of non cash items, and the cash provided by or used for working capital purposes.

During the year ended December 31, 2019, the Company received net cash of \$477,000 (year ended December 31, 2018 - \$1,619,010) from financing activities. The Company received proceeds of private placement, net of issuance costs of \$nil (year ended December 31, 2018 - \$1,597,684), proceeds from shares to be issued of \$nil (year ended December 31, 2018 - \$nil), had a repayment of debentures of \$nil (year ended December 31, 2018 - \$343,674) and debenture issuances, net of issue costs, of \$nil (year ended December 31, 2018 - \$365,000).

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, advances from related party, loans payable, deferred transaction advance, warrant liability 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.

## 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, 2019, the Company had cash of \$7,438 (December 31, 2018 - \$29,960) to settle current liabilities of \$2,694,228 (December 31, 2018 - \$1,661,806). 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 debentures payable. The carrying value of the debentures payable approximates the fair value due to the short-term nature of the debt. 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 \$1,000 (December 31, 2018 - \$6,000).

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 and warrants are exercisable in US Dollars. As at December 31, 2019, currency risk for the US Dollar was 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, 2019. 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, 2019, 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, 2019, 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 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.

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

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

	Notes	Year ended December 31,	
		2019	2018
Administration expense	(i)	\$ 200,000	\$ 215,000
Accounting expense	(ii)	\$ 46,360	\$ 58,042
Geological consulting expense	(iii)	\$ 86,000	\$ 96,000
Consulting expense	(iv)	\$ 150,000	\$ -
Debt settlement expense	(v)	\$ -	\$ 120,000

(i) For the year ended December 31, 2019, the Company incurred consulting fees from companies controlled by an officer, by directors and by a former officer of \$200,000 (year ended December 31, 2018 - \$215,000) recorded in administration fees.

(ii) For the year ended December 31, 2019, the Company incurred accounting expenses from companies related to an officer of \$46,360 (year ended December 31, 2018 - \$58,042) recorded in professional fees.

(iii) For the year ended December 31, 2019, the Company incurred geological consulting expenses from a related party of \$86,000, (year ended December 31, 2018 - \$nil) recorded in exploration expenditures and consulting fees.

(iii) For the year ended December 31, 2019, the Company incurred geological consulting expenses from a company controlled by a former officer of \$nil (year ended December 31, 2018 - \$96,000) recorded in exploration expenditures and consulting fees.

(iv) For the year ended December 31, 2019, the Company incurred consulting expenses from a director and companys controlled by directors \$150,000 (year ended December 31, 2018 - \$nil) recorded in consulting fees.

(v) During the year ended December 31, 2018, the Company settled a debt in the amount of \$120,000 with one director and one officer of the Company for shares in the Company.

(vi) As at December 31, 2019, included in accounts payable and accrued liabilities is \$405,612 (December 31, 2018 - \$20,286) due to directors and key management. These amounts are unsecured, non-interest bearing and due on demand.

(vii) During the year ended December 31, 2019, certain shareholders advanced \$477,000 to the Company. These amounts are due on demand and non-interest bearing. Directors and officers represent \$241,000 of the advances made.

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

Salaries and benefits	Year ended December 31,	
	2019	2018
CEO and Director	\$ 200,000	\$ 144,000
CFO	46,360	58,042
CEO (Former) and Director (Former)	-	30,000
VP Exploration (Former) and Director (Former)	-	16,000
President and Director (Former)	-	80,000
Directors	150,000	41,000
Total remuneration	\$ 396,360	\$ 369,042

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 Company has entered into a consulting agreement with a company controlled by Directors and Officers of the Company. The obligation under these agreements amounts to \$350,000 to December 31, 2020.

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 14,161,976 common shares issued and outstanding.

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

Options	Exercise Price	Expiry Date
20,000	\$1.50	July 4, 2021
36,000	\$1.70	September 6, 2021
190,000	\$1.50	November 14, 2021
15,000	\$1.70	March 20, 2022
<b>261,000</b>		

The Company has as at the date of this MD&A 5,067,300 warrants outstanding with exercise price of \$0.45 and expiry on June 8, 2023.

## NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

(i) 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 was adopted during the year and there was no impact to the Company.

(ii) IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. There was no impact as a result of the adoption of this standard by 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](http://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 be 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 Columbia 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

Certain of 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

Administrative expenses	Year ended December 31,	
	2019	2018
Administration fees	\$ 338,439	\$ 331,174
Amortization	2,601	1,817
Bank and interest charges	91,652	193,683
Foreign exchange loss (gain)	(86,287)	(11,934)
Part XII.6 tax penalty	26,554	-
Investor relations	170,530	262,203
Office and miscellaneous	30,464	144,658
Professional fees	175,277	408,892
Transfer agent, and regulatory	20,896	74,820
Travel, promotion and mining shows	6,579	42,029
<b>Total</b>	<b>\$ 776,705</b>	<b>\$ 1,447,342</b>

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