



*Condensed Consolidated Interim Financial Statements of  
Cornerstone Capital Resources Inc.*

*For the three months ended  
March 31, 2016 and 2015*

(Unaudited)



### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements of Cornerstone Capital Resources Inc. for the three months ended March 31, 2016 and 2015 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# **CORNERSTONE CAPITAL RESOURCES INC.**

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# CORNERSTONE CAPITAL RESOURCES INC.

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

	As at March 31, 2016	As at December 31, 2015
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	143,675	175,029
Marketable securities (Note 7)	654	27,284
Receivables	119,406	148,540
Prepaid expenses	22,205	28,248
	<b>285,940</b>	379,101
EXPLORATION AND EVALUATION ASSETS (Note 9)	-	-
LONG TERM INVESTMENTS (Note 8)	42,857	42,857
PROPERTY AND EQUIPMENT	38,519	51,204
	<b>367,316</b>	473,162
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Trade payables and accrued liabilities	95,187	199,629
Loans payable (Note 10)	352,703	50,209
	<b>447,890</b>	249,838
<b>EQUITY</b> (Note 11)		
Shareholders' equity	(80,574)	223,324
	<b>367,316</b>	473,162

**BASIS OF PRESENTATION** (Note 2)

**CONTINGENCIES** (Note 15)

**COMMITMENTS** (Note 16)

APPROVED BY THE BOARD OF DIRECTORS ON MAY 27, 2016:

\_\_\_\_\_  
"Brooke Macdonald" Director

\_\_\_\_\_  
"John Fleming" Director

See accompanying notes to the condensed consolidated interim financial statements

**CORNERSTONE CAPITAL RESOURCES INC.****Condensed Consolidated Interim Statements of Operations and Comprehensive Loss****(Expressed in Canadian Dollars)**

	<b>Three months ended March 31, 2016</b>	<b>Three months ended March 31, 2015</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUE</b>		
Project revenue	-	3,464
Gain on disposal of property and equipment	<b>28,987</b>	-
Investment income	<b>1,994</b>	6,603
Foreign exchange (loss) gain	<b>(2,077)</b>	42,752
	<b>28,904</b>	52,819
<b>EXPENSES</b>		
General and administrative	<b>128,244</b>	400,873
Share-based payments (Note 11)	<b>17,086</b>	124,846
Consulting fees	<b>46,240</b>	86,382
Accounting, audit and legal	<b>55,162</b>	52,703
Loss on sale of marketable securities (Note 7)	<b>4,698</b>	31,030
Depreciation	<b>2,524</b>	9,413
Public relations	-	2,137
Interest and bank charges	<b>3,547</b>	1,907
Write-down of exploration and evaluation assets (Note 9)	<b>84,982</b>	26,525
Unrealized loss on value of marketable securities	<b>171</b>	134,183
	<b>342,654</b>	869,999
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(313,750)</b>	(817,180)
<b>LOSS PER SHARE - BASIC AND DILUTED</b>	<b>(0.00)</b>	(0.00)
<b>WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED</b>	<b>190,415,330</b>	189,815,330

See accompanying notes to the condensed consolidated interim financial statements

**CORNERSTONE CAPITAL RESOURCES INC.**

**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**

(Expressed in Canadian Dollars)

	Number of shares	Share capital \$	Warrants \$	Share-based payment reserve \$	Deficit \$	Total Shareholders' Equity \$	Total equity \$
<b>Balance, December 31, 2014</b>	189,815,330	37,098,324	1,911,322	8,442,220	(42,368,563)	5,083,303	5,083,303
Total comprehensive loss to March 31, 2015					(817,180)	(817,180)	(817,180)
Share-based payments	-	-	-	119,495	-	119,495	119,495
Share issuance costs	-	(9,370)	-	-	-	(9,370)	(9,370)
<b>Balance, March 31, 2015</b>	189,815,330	37,088,954	1,911,322	8,561,715	(43,185,743)	4,376,248	4,376,248
Total comprehensive loss to December 31, 2015					(4,324,163)	(4,324,163)	(4,324,163)
Shares issued for property agreements	600,000	30,000	-	-	-	30,000	30,000
Share-based payments	-	-	-	151,540	-	151,540	151,540
Share issuance costs	-	(10,302)	-	-	-	(10,302)	(10,302)
<b>Balance, December 31, 2015</b>	190,415,330	37,108,652	1,911,322	8,713,255	(47,509,906)	223,324	223,324
Total comprehensive loss to March 31 2016					(313,750)	(313,750)	(313,750)
Share-based payments	-	-	-	17,086	-	17,086	17,086
Share issuance costs	-	(7,234)	-	-	-	(7,234)	(7,234)
<b>Balance, March 31, 2016</b>	190,415,330	37,101,418	1,911,322	8,730,341	(47,823,656)	(80,574)	(80,574)

See accompanying notes to the condensed consolidated interim financial statements

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
(Expressed in Canadian Dollars )

	<b>Three months ended March 31, 2016</b>	<b>Three months ended March 31, 2015</b>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(313,750)	(817,180)
Items not affecting cash:		
Depreciation	2,524	9,413
Interest and bank charges recognized in net loss	3,547	1,907
Interest income recognized in net loss	(1,994)	(6,603)
Write-down of exploration and evaluation assets	84,982	26,525
Unrealized loss on value of marketable securities	171	134,183
Loss on sale of marketable securities	4,698	31,030
Gain on disposal of property and equipment	(28,987)	-
Share-based payments	17,086	124,846
Changes in non-cash operating working capital (Note 13)	(69,265)	(20,864)
	<b>(300,988)</b>	<b>(516,743)</b>
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation expenditures - net (Note 9)	(84,982)	(410,068)
Interest and bank charges paid	(2,370)	(1,431)
Interest income received	380	547
Proceeds on sale of investments	21,760	58,970
Proceeds from loan	300,080	-
Proceeds from disposal (purchase of) of property and equipment - net	34,766	(725)
	<b>269,634</b>	<b>(352,707)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital - net	(7,234)	(9,370)
Proceeds from issuance of share capital and warrants - net	-	-
	<b>(7,234)</b>	<b>(9,370)</b>
<b>(DECREASE) INCREASE IN CASH</b>	<b>(31,354)</b>	<b>(878,820)</b>
<b>CASH, BEGINNING OF THE PERIOD</b>	<b>175,029</b>	<b>2,393,197</b>
<b>CASH, END OF THE PERIOD</b>	<b>143,675</b>	<b>1,514,377</b>

See accompanying notes to the condensed consolidated interim financial statements

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2016 and 2015**  
**(Expressed in Canadian Dollars)**

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**1. DESCRIPTION OF BUSINESS**

Cornerstone Capital Resources Inc. (“Cornerstone” or the “Company”), is incorporated under the laws of Alberta, Canada and has its principal office in Ottawa, Ontario, Canada. The Company, through its wholly-owned subsidiaries, Cornerstone Resources Inc., Cornerstone Ecuador S.A. (“CESA”), La Plata Minerales S.A., and Minera Cornerstone Chile Limitada, and its 15% holdings in Exploraciones Novomining S.A. (“ENSA”), is engaged in the evaluation, acquisition and exploration of mineral properties in Ecuador and Chile. The Company plans to ultimately develop the properties, bring them into production, option or lease properties to third parties, or sell the properties outright. The Company has not determined whether these properties contain ore reserves that are economically recoverable and the Company is considered to be in the exploration stage.

These condensed consolidated interim financial statements (“financial statements”) for the three months ended March 31, 2016 and were authorized for issuance by the Board of Directors of the Company on May 27, 2016.

**2. BASIS OF CONSOLIDATION AND PRESENTATION**

**Statement of Compliance**

These financial statements are unaudited and have been prepared in accordance with IAS 34, Interim Financial Reporting, (“IAS 34”), using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee (“IFRIC”).

The preparation of the financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgements in applying the Company’s accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3).

**Basis of Consolidation and Presentation**

The financial statements reflect the financial position, results of operations and cash flows of the Company and its 100% owned subsidiaries, Cornerstone Resources Inc., Cornerstone Ecuador S.A., La Plata Minerales S.A., and Minera Cornerstone Chile Limitada. All inter-company transactions and balances have been eliminated upon consolidation. The Company’s 15% interest in ENSA is being accounted for as an available-for-sale asset.

The financial statements of the Company have been prepared in accordance with IFRS on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. Several significant adverse conditions, however, cast substantial doubt on the validity of this assumption. The Company does not have any proven economically recoverable reserves, has continuous losses, and at March 31, 2016, the Company had an accumulated deficit of \$47,823,656 (December 31, 2015 - \$47,509,906) and has recorded a net loss of \$313,750 for the three months ended March 31, 2016 (year ended December 31, 2015 - \$5,141,343). The success of the Company is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to find and complete the development of such reserves, the ability of the Company to satisfy obligations as they come due and upon future profitable production from the properties or proceeds from disposition. The Company as at March 31, 2016, had cash balances of \$143,765 (December 31, 2015 - \$175,029) and current liabilities of \$447,890 (December 31, 2015 - \$249,838). The Company will require additional financing, through various means including but not limited to equity financing, to continue to pursue its exploration activities, and to meet its general and administrative costs. On May 12, 2016, the Company completed a financing consisted of the issuance of 90,000,000 units at \$0.05 per unit for proceeds of \$4,500,000 (Notes 11 & 17).



**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**2. BASIS OF CONSOLIDATION AND PRESENTATION (Continued)**

The Company, however, believes it has properties which will continue to attract equity investors and exploration partners. The proceeds from the current financing of \$4.5 million announced April 7, 2016 will be used to maintain these current properties until partners can be found to advance them further (including drilling the 3 drill-ready Ecuador properties), acquire new concessions in Ecuador that will be open for application in a bidding process during the remainder of 2016 after being off limits for 8 years, and to do initial prospecting and early stage exploration work on those new properties and on any areas eventually included in the ENAMI-CESA Strategic Alliance.

Although the Company has taken steps to verify title to mineral properties 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 or transfers and may be affected by undetected defects. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported net loss and the balance sheet classifications used.

**Basis of measurement**

These financial statements have been prepared on a historical cost basis, except for long-term investments classified as available-for-sale and marketable securities classified as fair value through profit and loss, which are measured at fair value.

**Functional currency and currency of presentation**

The financial statements are presented in Canadian dollars which is also the functional currency of the Company and its subsidiaries.

**3. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements should be read in conjunction with the Company's annual consolidated financial statements and accompanying notes for the year ended December 31, 2015. These financial statements have been prepared using the same accounting policies and judgments and estimates as described in the Company's December 31, 2015 annual consolidated financial statements.

During the three months ended March 31, 2016, the Company changed its accounting policy to expense mineral property acquisition costs as well as exploration and evaluation expenses incurred prior to an economic resource being determined. Refer to note 18.

*Significant accounting judgments, estimates and assumptions*

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of the assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Significant accounting judgments, estimates and assumptions (continued)*

In particular, the Company has identified the following areas where significant judgments, estimates, and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

Significant management judgments

The following are significant management judgments in applying the accounting policies of the Company and have the most significant effect on the financial statements.

- *Recognition of deferred income tax assets and measurement of income tax expense*

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgments.

- *Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgments based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

The Company's business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will ultimately result in profitable mining operations. The recoverability of the carrying value of mineral property interests and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties it acquires, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs to the carrying values of the Company's assets, in particular its mineral property interests. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

- *Contingencies*

By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgments and the use of estimates regarding the outcome of future events.

- *Exploration and evaluation assets*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgments to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. These assumptions are changed when conditions exist that indicate that the carrying value may be impaired, at which time an impairment loss is recorded.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Significant accounting judgments, estimates and assumptions (continued)*

- *Functional currency*

The functional currency for the parent entity, and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The parent entity has determined the functional currency of each entity is the Canadian dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

- *Impairment of exploration and evaluation assets*

Management determines at each reporting period whether there are any indicators of impairment. If there are indicators, the carrying value of the investment in mining property is compared to the recoverable amount to calculate the amount of impairment. If no indicators of impairment are identified, no impairment test is performed.

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgments and a number of estimates and interpretations in many cases.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated.

In assessing impairment, the Company must make estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expense will be recovered from either future exploration or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

- *Receivables*

The company reviews its receivables on a regular basis and makes estimates of any amounts which are not expected to be collected. If such doubt exists, an allowance for doubtful accounts will be recorded.

**CORNERSTONE CAPITAL RESOURCES INC.**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Significant accounting judgments, estimates and assumptions (continued)*

- *Property and equipment*

The Company reviews the estimated useful lives of property and equipment at the end of each reporting period to ensure assumptions are still valid as well as for indicators of impairment and makes judgments about the recoverable amounts.

- *Share-based payments*

The Company makes certain estimates and assumptions when calculating the fair values of stock options and warrants granted. The significant assumptions used include estimates of expected volatility, expected life and expected risk-free rate of return. Changes in these assumptions may result in a material change to the amount recorded for the issuance of stock options and warrants.

**4. FUTURE ACCOUNTING CHANGES**

The following standards are effective for annual periods beginning after January 1, 2016, with earlier adoption permitted. The Company has not early adopted these standards and is currently assessing the impact they will have on the financial statements.

**IFRS 9 - Financial Instruments** - A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement has been issued and is effective for annual periods beginning on or after January 1, 2018. The standard contains requirements in the following areas: classification and measurement, impairment, hedge accounting and de-recognition. IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before February 1, 2015.

**IFRS 15 – Revenue from Contracts with Customers** – The new standard replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programs*, as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model to account for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also includes enhanced disclosure requirements. It will be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

**IFRS 16 – Leases** – The new standard replaces IAS 17 – *Leases* and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has low value. It will be applied retrospectively for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied.

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**(Expressed in Canadian Dollars)**

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**5. CAPITAL MANAGEMENT**

The capital structure of the Company consists of debt and equity comprised of share capital, warrants, reserves and deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company has or is earning an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. Subject to availability of funding, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis. The Company is not subject to externally imposed capital requirements.

**6. FINANCIAL INSTRUMENTS**

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities

Level 2 – valuation techniques based on inputs that are quoted prices or similar instruments in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 – valuation techniques with significant unobservable market inputs

Upon the deconsolidation of ENSA, the value of the Company's 15% interest in ENSA is classified as an available-for-sale asset. The Company has a long term investment in ENSA, which is a private company with no quoted price in active markets and has therefore been classified as a level 3 fair value measurement. The investment in ENSA was measured against the exploration assets on the Cascabel concession, considering the most recent exploration results, and geological assessments as at March 31, 2016, and December 31, 2015.

The Company has no liabilities recorded at fair value. The carrying value of the Company's liabilities approximates its fair value due to the short term nature.

The Company does not have any level 2 fair value measurements, and there have been no transfers between levels.

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**6. FINANCIAL INSTRUMENTS (Continued)**

As at March 31, 2016	Level 1	Level 2	Level 3	Total financial assets at fair value
Financial assets	\$	\$	\$	\$
Marketable securities (Note 7)	654	-	-	654
Long-term investment	-	-	42,857	42,857
	<u>654</u>	<u>-</u>	<u>42,857</u>	<u>43,511</u>

As at December 31, 2015	Level 1	Level 2	Level 3	Total financial assets at fair value
Financial assets	\$	\$	\$	\$
Marketable securities (Note 7)	27,284	-	-	27,284
Long-term investment	-	-	42,857	42,857
	<u>27,284</u>	<u>-</u>	<u>42,857</u>	<u>70,141</u>

**Financial Risk Factors**

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Company's policies on an ongoing basis to ensure that these risks, which are summarized below, are appropriately managed:

***Credit risk***

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity periods or due to adverse market conditions. The Company's financial assets exposed to credit risk are primarily composed of cash, and accounts receivable (trade and other). Maximum exposure is equal to the carrying values of these assets. The Company's cash is held at several large financial institutions. Ecuador and Chile have experienced political and economic stability for many years and its legal system is based on the Spanish law system. Their banking system and standards for professional services are comparable to those in North America.

The Company's receivables are with the Canadian government and other recognized, creditworthy third parties. In 2016 Management has assessed that exploration partner receivable of \$Nil (December 31, 2015 - \$28,874) was determined to be uncollectable during the period and as such the Company recorded an allowance for bad debt in March 31, 2016, \$Nil (December 31, 2015 - \$28,874).

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**6. FINANCIAL INSTRUMENTS (Continued)**

<b>As at March 31, 2016</b>	<b>Neither past due nor impaired High grade</b>	<b>Standard grade</b>	<b>Past due or individually impaired</b>	<b>Total</b>
Cash and receivables:				
Cash and cash equivalents	143,675	–	–	143,675
Others receivables	119,406	–	–	119,406
	<u>263,081</u>	<u>–</u>	<u>–</u>	<u>263,081</u>
<b>As at December 31, 2015</b>	<b>Neither past due nor impaired High grade</b>	<b>Standard grade</b>	<b>Past due or individually impaired</b>	<b>Total</b>
Cash and receivables:				
Cash and cash equivalents	175,029	–	–	175,029
Others receivables	148,540	–	–	148,540
	<u>323,569</u>	<u>–</u>	<u>–</u>	<u>323,569</u>

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As at March 31, 2016, the Company had a cash balance of \$143,675 (December 31, 2015 - \$175,029) to settle current liabilities of \$447,890 (December 31, 2015 - \$249,838). To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through equity or partnering transactions. All of the Company's financial liabilities are normally paid within 30 days and are subject to normal trade terms. The Company has no source of operating cash flow to fund its exploration and development projects. Funding for projects requires equity or debt financing. The Company has limited financial resources and there is no assurance that funding will always be available to allow the Company to fulfill its obligations on existing or future exploration projects.

***Market risk***

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and equity prices will affect the Company's income or the value of its financial instruments.

- (a) Interest rate risk – As at March 31, 2016, and December 31, 2015, the Company does not have any cash balances subject to interest rate risk. The Company's current policy is to invest excess cash in interest bearing deposit accounts or guaranteed investment securities with its financial institutions. The Company has a loan payable at a variable rate.

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**6. FINANCIAL INSTRUMENTS (Continued)**

(b) Price risk – The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company’s earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company monitors commodity prices of gold, copper and other metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company believes that both commodity and equity price movements can have a substantial effect on the market value of the Company’s investments. Such price movements are monitored by the Company.

(c) Foreign exchange risk - The Company transacts business in U.S. dollars, the currency of Ecuador, and therefore is subject to foreign exchange risk on U.S. dollar receivables, trade payables and cash balances. The Company attempts to mitigate these risks by managing its U.S. dollar inflows and outflows. No hedging instruments have been used by the Company, however, depending upon the nature and level of future foreign exchange transactions, consideration may be given to the use of hedging instruments. The Company believes that it adequately manages its foreign exchange risk, and the risk is minimal. The following table shows the net exposures in US dollars.

	<b>March 31,</b>	December 31,
	<b>2016</b>	2015
Cash	<b>87,977</b>	122,259
Receivables	<b>118,057</b>	213,714
Trade payables and accrued liabilities	<b>(16,453)</b>	(76,632)
Net US dollar exposure	<b>189,581</b>	259,341

Based upon the above net exposures to US dollars, as at March 31, 2016, a 10% change in the value of the US dollar to the Canadian dollar exchange rate would impact the Company’s net loss by approximately \$18,958 (December 31, 2015 - \$25,934).

**Sensitivity analysis**

As at March 31, 2016, the Company has an equity investment in Rambler Metals and Mining which is listed on a Canadian Securities Exchange, with the exception of SolGold plc which is listed on the TSX Venture exchange. Equity investments are classified by the Company as “F.V.T.P.L.” and are measured at fair value.

A 20% change in the March 31, 2016, value of these investments would result in an increase or decrease in net loss and the carrying value of the investments of \$131 (December 31, 2015 - \$5,457).

The carrying amount of cash, receivables, trade payables and accrued liabilities approximate fair value due to their short-term nature.



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**7. MARKETABLE SECURITIES**

The Company has equity investments in the following companies. All are listed on either the Toronto Stock Exchange, the TSX Venture Exchange or the London AIM Exchange. Market values of the investments are as follows:

	<b>March 31,</b>	December 31,
	<b>2016</b>	2015
	\$	\$
Rambler Metals and Mining <sup>(1)</sup>	<b>654</b>	675
Mountain Lake Minerals Inc.	-	150
Benton Resources Inc.	-	4,375
SolGold Plc	-	22,084
	<b>654</b>	<b>27,284</b>

(1) On January 12, 2016, Rambler Metals and Mining acquired 100% of Thundermine Resources Inc. As a result of the acquisition, Cornerstone received 8,270 shares of Rambler in exchange for its 135,000 share of Thundermine.

During the three months ended March 31, 2016, the Company sold 125,000 common shares of Brenton Resources for gross proceeds of \$5,000 and recorded a gain on sale of marketable securities of \$615 in the statement of loss and comprehensive loss.

During the three months ended March 31, 2016, the Company sold 488,560 common shares of SolGold Plc. for gross proceeds of \$16,780 and recorded a loss on sale of marketable securities of \$5,313 in the statement of operations and comprehensive loss.

**8. LONG TERM INVESTMENTS**

**Deconsolidation of Subsidiary**

On February 25, 2014, the Company announced it had been notified by SolGold of its election to increase its ownership in ENSA to 85%. The President and Legal Representative of ENSA was changed to a SolGold nominee who is now responsible for the day to day activities of ENSA. Changes were also made to the ENSA Board of Directors, resulting in Cornerstone no longer holding the majority of board seats. In the Company's opinion, these changes have resulted in a loss of control by the Company, and consequently, ENSA was deconsolidated from the Company's consolidated financial statements. The resulting investment in ENSA of \$42,857 is classified as an available-for sale asset.

As at March 31, 2016, the value of the long term investment in ENSA was \$42,857 (December 31, 2015 - \$42,857)

**9. EXPLORATION AND EVALUATION ASSETS**

As at March 31, 2016, the Company had no active licenses with the Government of Newfoundland and Labrador (December 31, 2015 – 2 active licenses, consisting of 64 mineral exploration claims covering various areas of Newfoundland and Labrador). The Company also holds 3 (December 31, 2015 – 3) mineral concessions in Ecuador (excluding the 4 concessions held by ENSA) and 44 (December 31, 2015 – 44) in Chile. A summary of exploration and evaluation assets is as follows:

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**9. EXPLORATION AND EVALUATION ASSETS (Continued)**

As at March 31, 2016

Geographical Area	Number of Claims	Balance, Beginning of Period	Additions	Exploration and Evaluation costs Expensed	Balance, End of Period
		\$	\$	\$	\$
Chile	44	-	65,764	(65,764)	-
Ecuador	3	-	19,218	(19,218)	-
	47	-	84,982	(84,982)	-

As at December 31, 2015

Geographical Area	Number of Claims	Balance, Beginning of Year	Additions	Payments From Partners	Properties Written off	Balance, End of Year
		\$	\$	\$	\$	\$
Canada	64	-	-	-	-	-
Chile	44	896,841	218,885	-	(1,115,726)	-
Ecuador	3	1,122,960	595,323	(40,917)	(1,677,367)	-
	111	2,019,801	814,208	(40,917)	(2,793,093)	-

On May 12, 2016, the Company completed a financing of \$4,500,000 which will be used to maintain the current properties, acquire new concessions in Ecuador, and to do initial prospecting and early stage exploration work on those new properties and on any areas.

During the period ended March 31, 2016, the Company changed its accounting policy to expense exploration and evaluation costs in the period that they are incurred (Note 18).

**10. LOANS PAYABLE**

On December 15, 2015, the Company entered into a loan agreement with a private company. Under the terms of the loan agreement, the Company is able to draw down a maximum of \$100,000. The loan carries an annual interest rate of LIBOR plus 3% compounded monthly and initially matured on March 15, 2016.

On March 31, 2016, the maturity date was extended to June 15, 2016, and the maximum drawdown was increased to \$500,000. As at March 31, 2016, the Company drew down \$345,080 (December 31, 2015 - \$50,000) and accrued interest of \$2,411 (December 31, 2015 - \$209).

On March 14, 2016, the Company borrowed \$5,000 from one of its directors. The loan carries an annual interest rate of LIBOR plus 3% compounded monthly and had no set mature date. As at March 31, 2016, the loan outstanding was \$5,000 (December 31, 2015 - \$Nil) and accrued interest of \$212 (December 31, 2015 - \$Nil)

Subsequent to the end of the reporting period both loans and interest were paid in full.

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**11. SHAREHOLDERS' EQUITY**

*Share Capital*

**Authorized**

An unlimited number of common shares with no par value.

**Issued and outstanding**

	<u>March 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Number of Shares</u>	<u>\$</u>	<u>Number of Shares</u>	<u>\$</u>
<i>Common shares</i>	<b>190,415,330</b>	<b>37,101,418</b>	190,415,330	37,108,652

2016 issuances

There were no common shares issued during the three month period ended March 31, 2016.

On May 12, 2016, the Company completed a financing consisted of the issuance of 90,000,000 units at \$0.05 per unit for proceeds of \$4,500,000. Each unit consisted of one common share of the Company and one non-transferable share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.10 until May 12, 2021. All shares issued and any shares issued on exercise of the warrants are subject to restrictions on transfer until September 13, 2016.

The Company paid cash finders fees of \$58,742 and issued 3,280,000 units issued as well as 4,454,842 finders' warrants. Each finder warrant entitling the holder to purchase one common share of the Company at a price of \$0.05 until May 12, 2018.

In May 2016, the Company issued 1,200,000 common shares and made the cash payment of \$60,000 in regards to the Miocene gold-silver-copper project in Chile.

2015 issuances

On May 20, 2015, the Company issued 600,000 common shares with a value of \$30,000 as part of the agreement for the Miocene property in Chile.

*Preferred shares*

The first and second preferred shares which have been authorized may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. No first or second preferred shares have been issued.

*Stock options*

The Company has an equity settled stock option plan under which options to purchase common shares in the Company may be granted to directors, officers, key employees and consultants of the Company. Details of the activity of the stock option plan are as follows:

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**11. SHAREHOLDERS' EQUITY (Continued)**

	March 31, 2016		December 31, 2015	
	Number	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price
Balance, beginning of the period	11,463,330	0.41	12,431,998	0.29
Granted during the period				
To employees, officers, directors and consultants	-	-	2,460,000	0.10
Forfeited or cancelled during the period	(2,645,000)	0.37	(3,428,668)	0.41
Balance, end of period	8,818,330	0.15	11,463,330	0.22
Exercisable, end of period	7,998,341	0.15	10,643,341	0.23

2016 Stock option grants

There were no stock options granted during the three months ended March 31, 2016. Options vesting during the three months ended March 31, 2016, have been realized and as a result an expense of \$17,086 has been recorded in the consolidated statement of loss and comprehensive loss.

2015 Stock option grants

On January 29, 2015, the Company issued 2,410,000 stock options to directors, officers and consultants of the company and are exercisable at \$0.10 until January 29, 2020. The stock options vest in three tranches with 803,333 options vesting on grant, 803,333 vesting nine months after grant and 803,334 vesting eighteen months after grant. The stock options have a Black-Scholes option pricing value of \$169,905. Only options vested during the year have been realized and as a result an expense of \$113,270 has been recorded in the consolidated statement of loss and comprehensive loss.

On June 4, 2015, the Company issued 50,000 stock options to consultants of the company and are exercisable at \$0.10 until June 4, 2020. The stock options vest in three tranches with 16,667 options vesting on grant, 16,667 vesting on nine months after grant and 16,667 vesting eighteen months after grant. The stock options have a Black-Scholes option pricing value of \$850. Only options vested during the year have been realized and as a result an expense of \$567 has been recorded in the consolidated statement of loss and comprehensive loss.

During the year the Company recorded a share based payment expense of \$157,198 for stock options that were issued in prior years that vested in 2015.

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**11. SHAREHOLDERS' EQUITY (Continued)**

The fair values of options granted during the year ended December 31, 2015 were estimated using the Black-Scholes option pricing model with the following weighted average assumption:

	January 2015	June 2015
Average share price at date of grant	\$0.09	\$0.03
Expected dividend yield	0.00%	0.00%
Expected share price volatility	178%	159%
Risk-free interest rate	1.00%	0.64%
Forfeiture rate	2%	2%
Expected life of options	5 years	5 years
Average exercise price at date of grant	\$0.10	\$0.10
Stock options granted	2,410,000	50,000
Black-Scholes fair value	\$0.07	\$0.02

The following table summarizes information about stock options outstanding and exercisable at March 31, 2016.

Expiry date	Grant date	Exercise price	Options outstanding	Contractual Life (years)	Options vested	Options unvested	Years remaining to maturity	Wiegthed average exercise price
3-Aug-16	3-Aug-11	\$0.27	16,666	5	16,666	-	0.39	\$ 0.00
13-Jan-17	13-Jan-12	\$0.14	1,351,664	5	1,351,664	-	0.84	\$ 0.02
8-May-18	8-May-13	\$0.10	990,000	5	990,000	-	2.15	\$ 0.01
11-Jun-18	11-Jun-13	\$0.10	125,000	5	125,000	-	2.25	\$ 0.00
5-Mar-19	5-Mar-14	\$0.19	3,875,000	5	3,875,000	-	2.98	\$ 0.08
29-Jan-20	29-Jan-15	\$0.10	2,410,000	5	1,606,677	803,323	3.88	\$ 0.03
4-Jun-20	4-Jun-15	\$0.10	50,000	5	33,334	16,666	4.23	\$ 0.00
			<b>8,818,330</b>		<b>7,998,341</b>	<b>819,989</b>		<b>\$ 0.15</b>

**Warrants**

Warrants have been issued by the Company in the course of issuing shares. Warrants are valued using the Black Scholes option-pricing model.

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**11. SHAREHOLDERS' EQUITY (Continued)**

	For the three months ended March 31, 2016		
	Number	\$	Weighted-Average Price \$
Balance, beginning and end of the period	42,647,617	1,911,322	0.33

  

	For the year ended December 31, 2015		
	Number	\$	Weighted-Average Price \$
Balance, beginning and end of the year	42,647,617	1,911,322	0.33

Number of warrants	Carrying Value	Exercise price	Expiry date
	\$	\$	
14,172,500	566,900	0.30	September 2016
26,666,667	1,224,466	0.35	April 2019
1,808,450	119,956	0.20	April 2019
<b>42,647,617</b>	<b>1,911,322</b>		

***Loss per share***

Diluted loss per share is equivalent to basic loss per share as the inclusion of outstanding options and warrants is anti-dilutive.

**12. RELATED PARTY TRANSACTIONS**

The following represents a summary of transactions with parties under common control and shareholders for the three months ended March 31, 2016, and March 31, 2015. The amounts, which are all expensed as professional and administrative charges, are recorded at the exchange amounts:

Sabino Di Paola, effective January 1, 2016, was the CFO and Corporate Secretary for the Company, following the resignation of David Loveys, on December 31, 2015. During the three months ended March 31, 2016, Mr. Di Paola billed a total of \$16,500 (March 31, 2015 - \$Nil) while Mr. Loveys billed \$Nil (March 31, 2015 - \$33,000) for the three months ended March 31, 2016, for accounting and management consulting services. Director Brooke Macdonald, who serves as the Company's President and CEO, provided the Company with management consulting services of \$26,433 (March 31, 2015 - \$53,382) the three months ended March 31, 2016. These transactions are considered to be in the normal course of business.

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**12. RELATED PARTY TRANSACTIONS (Continued)**

Compensation for the three months ended March 31, 2016, for key management personnel, not included above, is \$58,872 (2015 - \$187,679), which includes salary and other short-term benefits of \$46,111 (2015 - \$80,749), and share-based payments of \$106,930 (2015 - \$106,930). These amounts include salary and benefits for the Company's Vice President, Exploration, stipends for non-management directors, group insurances for all management and share based payments for all management and directors.

In March 2016, a director of the Company loaned the \$5,000 to the Company. The loan carries an annual interest rate of LIBOR plus 3% compounded monthly and had no set maturity date (Note 10).

**13. SUPPLEMENTAL CASH FLOW INFORMATION**

	<b>March 31, 2016</b>	March 31, 2015
	\$	\$
Changes in non-cash operating working capital		
Decrease in accounts receivable	<b>29,134</b>	(51,592)
Decrease (increase) in prepaids	<b>6,043</b>	(7,968)
Decrease in trade payables and accruals	<b>(104,442)</b>	38,696
	<b>(69,265)</b>	(20,864)

**14. SEGMENT REPORTING**

The Company has one reportable operating segment being that of acquisition and exploration and evaluation activities. The Company has the following non-current assets located in the Ecuador and Chile:

	<b>March 31, 2016</b>	December 31, 2015
	\$	\$
<b>Ecuador</b>		
Property, plant and equipment	<b>10,996</b>	22,200
<b>Chile</b>		
Property, plant and equipment	<b>27,523</b>	29,004

All Chile and Ecuador exploration mineral claims are held by the Company's Chile and Ecuador subsidiaries with all cost incurred in the subsidiaries capitalized to exploration and evaluation properties.

**15. CONTINGENCIES**

In 2015 the Company received two claims instituted by individuals, the first with respect to an exploration contract with a prospector in Newfoundland (which ended up in arbitration), and the second an employment matter (a claim in Cuenca, Ecuador for severance by a consultant claiming he was an employee). On December 16, 2015 a decision in favour of the Company was rendered in the arbitration in Newfoundland. In the Ecuador employment claim, the plaintiff won a US\$36,000 trial judgment that the Company appealed. The Company received notice November 19, 2015 that our appeal was granted and the Company has no liability. The plaintiff filed a further and final appeal to the Supreme Court in Quito.

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**15. CONTINGENCIES (Continued)**

In April 2016, the Supreme Court in Quito rendered a definitive decision in favor of Cornerstone.

There are four claims for alleged non-payment of annual mineral concession fees in Ecuador (relating to the relinquished Shyri SE, Shyri NE, Rodeo, and Bellavista concessions), payment of which CESA contends would have become due only after it formally relinquished the concessions and turned them back to the government following the 2008 Mining Moratorium in Ecuador when CESA was prohibited by law from working on the concessions. Shyri SE and Rodeo are in the 1st District Administrative Court in Quito, Shyri NE case is in the Supreme Court and Bellavista is an administrative “challenge” proceeding. Shyri SE, Rodeo and Shyri NE do not in the aggregate amount to a material sum even if found due and owing in a final unappealable hearing or judgment, and our lawyers in Quito at Tobar ZVS are monitoring the cases and hope to eventually resolve all of them to the satisfaction of CESA. In the case of Bellavista, the Company initially filed a challenge against the administrative resolution but later withdrew the challenge and the Administrative Authority issued an order for payment of approximately US\$16,000 which sum will be paid by the Company having already been reimbursed by a former partner funding work related to the Bellavista concession. For the other cases there is no specific amount claimed.

There is one administrative claim by the Ministry of Environment (ME) for the cost of remediating some moderate environmental disturbance caused by illegal miners trespassing on CESA’s La Rinconada concession. CESA contends that it formally notified the ME immediately upon becoming aware of the presence of the illegal miners and that the damages were done following the giving such notice and occurred as a result of the ME failing to timely act to bring in Police to evict the miners. At the present time, the Company’s Ecuadorean legal counsel believe that our claim has enough merit to be successful in the Court, although according to the Ecuadorian law he cannot guarantee any result. Should any amounts be found payable, the Company expects to recover them from the partner previously funding work on the La Rinconada concession.

Management currently considers the Company’s exposure to the Ecuador employment litigation to be minimal, except for increased legal fees to defend the matter. As such, no provision has been recorded in these financial statement.

**16. COMMITMENTS**

On February 22, 2011 the Company signed an agreement (amended in 2013 and 2014) to explore the Miocene gold-silver-copper project located in the Regions of Atacama and Antofagasta of northern Chile. This project covers a large area of 14,770 km<sup>2</sup>. The Company had entered into an agreement to acquire exclusive rights to a proprietary database covering the Miocene project area, and had already utilized the information to apply for mineral concessions to explore several prospective areas. The agreement gave the Company the right to acquire an undivided 100% interest in any concessions acquired using the database within the Miocene project by incurring exploration expenditures of \$5,000,000 and making cash payments of \$250,000 and issuing shares of the Company valued at \$250,000 over a five-year period ending in 2019. The acquisition is subject to a 2.0% royalty, one-half (1.0%) of which can be purchased by the Company at any time for \$1,000,000.

Additional cash and shares are required for property option payments during the next four years. In addition, certain property expenditures are required in order for the Company to maintain title to various properties. Details of cash and share payments as well as required property expenditures are as follows:



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**16. COMMITMENTS (Continued)**

	Cash	Shares	Expenditures
	\$	\$	\$
2016	60,000	60,000	500,000
2017	120,000	120,000	1,000,000
2018	-	-	1,500,000
2019	-	-	1,500,000
	<b>\$ 180,000</b>	<b>\$ 180,000</b>	<b>\$ 4,500,000</b>

In May 2016, the Company issued 1,200,000 common shares and made the cash payment of \$60,000. As at March 31, 2016, the Company had not yet incurred the \$500,000 of exploration expenditures.

**17. EVENTS AFTER THE REPORTING PERIOD**

Private placement

On May 12, 2016, the Company completed a financing consisted of the issuance of 90,000,000 units at \$0.05 per unit for proceeds of \$4,500,000. Each unit consisted of one common share of the Company and one non-transferable share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.10 until May 12, 2021. All shares issued and any shares issued on exercise of the warrants are subject to restrictions on transfer until September 13, 2016.

The Company paid cash finders fees of \$58,742 and issued 3,280,000 units issued as well as 4,454,842 finders' warrants. Each finder warrant entitling the holder to purchase one common share of the Company at a price of \$0.05 until May 12, 2018.

Commitments

In May 2016, the Company issued 1,200,000 common shares and made the cash payment of \$60,000 in regards to the Miocene gold-silver-copper project in Chile.

Contingencies

In April 2016, the Supreme Court in Quito rendered a definitive decision in favor of Cornerstone regarding the two claims instituted by individuals seeking a total of US\$36,000.

**18. CHANGE IN ACCOUNTING POLICY**

During the quarter, the Company changed its accounting policy with respect to acquisition of mineral exploration properties and exploration and evaluation expenditures. The Company now expenses all costs associated with the acquisition of mineral properties as well as exploration and evaluation expenditures incurred. Prior to this change in policy, the Company capitalized all mineral property acquisition costs as well as exploration and evaluation expenditures. Under both policies capitalization of costs would only begin once an economic resource is discovered.

The Company believes the new policy is preferable as it more closely aligns the accounting for these transactions with the current economic conditions in the junior exploration industry.

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**18. CHANGE IN ACCOUNTING POLICY (Continued)**

The impact of this voluntary change in accounting policy on the financial statements is primarily to reduce exploration and evaluation intangible assets arising on such transactions. This change did not result in a material impact on the current year or any years included within these consolidated financial statements as all prior exploration and evaluation expenses had been fully impaired.