Condensed Consolidated Interim Financial Statements of
Cornerstone Capital Resources Inc.

For the three months ended
March 31, 2017 and 2016

(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, 2017 and 2016 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, 2017	As at December 31, 2016
	$	$
ASSETS		
CURRENT		
Cash and cash equivalents	**2,661,426**	2,627,882
Marketable securities	**1,406**	1,323
Receivables	**127,777**	121,783
Prepaid expenses	**41,708**	37,709
TOTAL CURRENT ASSETS	**2,832,317**	2,788,697
LONG TERM INVESTMENTS (Note 7)	**164,293,078**	82,000,000
PROPERTY AND EQUIPMENT	**151,500**	127,436
TOTAL ASSETS	**167,276,895**	84,916,133
LIABILITIES		
CURRENT		
Trade payables and accrued liabilities	**63,912**	91,567
DEFFERED TAX LIABILITY	**38,613,270**	18,040,000
TOTAL LIABILITIES	**38,677,182**	18,131,567
EQUITY		
Shareholders' equity (Note 9)	**128,599,713**	66,784,566
TOTAL LIABILITIES AND EQUITY	**167,276,895**	84,916,133

BASIS OF PRESENTATION (Note 2)
CONTINGENCIES (Note 13)
COMMITMENTS (Note 14)
EVENTS AFTER THE REPORTING PERIOD (Note 15)

APPROVED BY THE BOARD OF DIRECTORS ON May 25, 2017:

"Brooke Macdonald" Director

"Colin McKenzie" Director

See accompanying notes to the condensed consolidated interim financial statements

CORNERSTONE CAPITAL RESOURCES INC.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income

(Expressed in Canadian Dollars)

	Three months ended March 31, 2017	Three months ended March 31, 2016
	$	$
REVENUE AND OTHER INCOME		
Gain on disposal of property and equipment	**-**	28,987
Investment income	**3**	1,994
Foreign exchange (loss) gain	**(27,286)**	(2,077)
TOTAL REVENUE AND OTHER INCOME	**(27,283)**	28,904
EXPENSES		
General and administrative	**424,771**	128,244
Share-based payments (Note 9)	**272,193**	17,086
Consulting fees	**90,359**	46,240
Accounting, audit and legal	**143,511**	55,162
Loss on sale of marketable securities	**-**	4,698
Depreciation	**8,885**	2,524
Public relations	**2,440**	-
Interest and bank charges	**1,499**	3,547
Exploration and evaluation expenditures (Note 8)	**278,131**	84,982
Unrealized (gain) loss on value of marketable securities	**(83)**	171
TOTAL EXPENSES	**(1,221,706)**	(342,654)
NET (LOSS) FOR THE PERIOD	**(1,248,989)**	(313,750)
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified subsequent to income		
Unrealized gain on Investment (Note 7)	**82,293,078**	-
Deferred Income tax expense (Note 7)	**(20,573,270)**	-
TOTAL OTHER COMPREHENSIVE INCOME	**61,719,808**	-
NET COMPREHENSIVE INCOME	**60,470,819**	**(313,750)**
Income (Loss) per share		
Basic	**(0.00)**	-
Diluted	**(0.00)**	-
Weighted-average number of shares outstanding		
Basic	**287,761,201**	190,415,330
Diluted	**287,761,201**	190,415,330

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	Contributed Surplus	Accumulated other Comprehensive Income	Deficit	Total Shareholders' Equity
		$	$	$	$	$	$
Balance, December 31, 2015	190,415,330	37,108,653	1,911,322	8,713,255	-	(47,509,906)	223,324
Total comprehensive loss for the period	-		-	-	-	(313,750)	(313,750)
Share-based payments	-	-	-	17,806	-	-	17,806
Share issuance costs	-	(7,234)	-	-	-	-	(7,234)
Balance, March 31, 2016	190,415,330	37,101,419	1,911,322	8,731,061	-	(47,823,656)	(79,854)
Total comprehensive loss for the period	-		-	-	63,917,143	(2,519,344)	61,397,799
Shares issued in private placements	82,700,000	4,135,000	-	-	-	-	4,135,000
Shares issued in settlement of debt	7,300,000	365,000	-	-	-	-	365,000
Shares issued for property agreements	1,200,000	60,000	-	-	-	-	60,000
Shares issued on exercise of stock options	226,666	39,298	-	(13,565)	-	-	25,733
Shares issued on exercise of warrants	1,969,000	236,039	(39,139)	-	-	-	196,900
Warrants issued in private placements	-	(1,666,755)	1,666,755	-	-	-	-
Expired warrants	-	-	(566,900)	566,900	-	-	-
Share-based payments	-	-	-	785,153	-	-	785,153
Share issue cost - issued in units	3,280,000	99,000	-	-	-	-	99,000
Share issuance costs	-	(327,165)	127,000	-	-	-	(200,165)
Balance, December 31, 2016	287,090,996	40,041,836	3,099,038	10,069,549	63,917,143	(50,343,000)	66,784,566
Total comprehensive loss for the period	-		-	-	61,719,808	(1,248,989)	60,470,819
Shares issued on exercise of stock options	351,666	78,268	-	(26,856)	-	-	51,412
Shares issued on exercise of warrants	10,314,481	1,236,477	(205,029)	-	-	-	1,031,448
Share-based payments	-	-	-	272,193	-	-	272,193
Share issue costs	-	(10,725)	-	-	-	-	(10,725)
Balance, March 31, 2017	297,757,143	41,345,856	2,894,009	10,314,886	125,636,951	(51,591,989)	128,599,713

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)

	Three months ended March 31, 2017	Three months ended March 31, 2016
	$	$
OPERATING ACTIVITIES		
Net loss	**(1,248,989)**	(313,750)
Items not affecting cash:		
Depreciation	**8,885**	2,524
Interest and bank charges recognized in net loss	**1,499**	3,547
Interest income recognized in net loss	**(3)**	(1,994)
Unrealized loss on value of marketable securities	**(83)**	171
Loss on sale of marketable securities	**-**	4,698
Gain on disposal of property and equipment	**-**	(28,987)
Share-based payments	**272,193**	17,086
Changes in non-cash operating working capital (Note 11)	**(37,648)**	(62,031)
CASHFLOWS FROM OPERATING ACTIVITIES	**(1,004,146)**	(378,736)
INVESTING ACTIVITIES		
Interest income received	**3**	380
Proceeds on sale of investments	**-**	21,760
Purchase of property and equipment	**(32,949)**	-
Proceeds from disposal of property and equipment	**-**	34,766
CASHFLOWS FROM INVESTING ACTIVITIES	**(32,946)**	56,906
FINANCING ACTIVITIES		
Interest and bank charges paid	**(1,499)**	(2,370)
Proceeds from exercise of stock options	**51,412**	-
Proceeds from loan	**-**	300,080
Procceds from exercise of warrants	**1,031,448**	-
Share issue costs	**(10,725)**	(7,234)
CASHFLOWS FROM FINANCING ACTIVITIES	**1,070,636**	290,476
INCREASE (DECREASE) IN CASH	**33,544**	(31,354)
CASH, BEGINNING OF THE PERIOD	**2,627,882**	175,029
CASH, END OF THE PERIOD	**2,661,426**	143,675

See accompanying notes to the condensed consolidated interim financial statements

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 Ecuador S.A. ("CESA"), La Plata Minerales S.A., and Minera Cornerstone Chile Limitada, and CESA's 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 the properties to third parties, or sell the properties outright. The Company has not determined whether these properties contain mineral 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, 2017 were authorized for issuance by the Board of Directors of the Company on May 25, 2017.

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 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 indirect 15% interest in ENSA (held by CESA) 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. The Company does not have any proven economically recoverable reserves, has a history of losses, and at March 31, 2017, the Company had an accumulated deficit of $51,191,989 (December 31, 2016 - $50,343,000) and has recorded a net income and comprehensive income of $60,471,819 for the three months ended March 31, 2017 (March 31, 2016 – loss of $313,750). 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, 2017, had cash balances of $2,661,426 (December 31, 2016 - $2,627,882) and current liabilities of $63,912 (December 31, 2016 - $91,567). The Company currently does not require additional financing to continue to pursue its exploration activities, and to meet its general and administrative costs for at least the next 12 months from the reporting period.

2. BASIS OF CONSOLIDATION AND PRESENTATION (Continued)

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, government licensing requirements or regulations, unregistered claims and non-compliance with regulatory, environmental and social licensing requirements, 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 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, 2016. These financial statements have been prepared using the same accounting policies and judgments and estimates as described in the Company's December 31, 2016 annual consolidated financial statements.

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.

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.

<u>Significant management judgments</u>

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

- *Income, value added, withholding and other taxes*

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- *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 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. 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.

- *Functional currency*

The functional currency of 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.

<u>Estimates and assumptions</u>

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.

3. SIGNIFICANT ACCOUNTING POLICIES (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.

- *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.

- *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.

- *Fair value of investment in securities not quoted in an active market*

Where the fair values of financial assets and liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values.

4. FUTURE ACCOUNTING CHANGES

The following standards are effective for annual periods beginning after January 1, 2017, 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 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.

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.

(Expressed in Canadian Dollars)

5. CAPITAL MANAGEMENT (Continued)

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.

The Company's capital management objectives, policies and processes have remained unchanged during the Three months ended March 31, 2017 and the year ended December 31, 2016. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") 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.

6. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value on the statement of financial position 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.

Level 3 financial instruments

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 following table presents the change in fair value measurements of financial instruments classified as Level 3 for the three months ended March 31, 2017 as well as the year ended December 31, 2016. These financial instruments are measured at fair value utilizing non-observable market inputs. The net realized losses and net realized gains are recognized in the consolidated statement of comprehensive income.

Investments, fair value	Three months ended March 31, 2017	Year ended December 31, 2016
Balance, beginning of period	$ 82,000,000	$ 42,857
Changes in valuation	82,293,078	81,957,143
Balance, end of period	**$ 164,293,078**	$ **82,000,000**

(Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS (Continued)

Within Level 3, the Company includes private company investments which are not quoted in an active market. The key assumptions used in the valuation of these instruments include (but are not limited to) the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions and the share performance of comparable publicly-traded companies.

As the valuation of investments for which market quotations are not readily available are inherently uncertain, the values may fluctuate materially within short periods of time and are based on estimates, and determinations of fair value may differ materially from values that would have resulted if a ready market existed for the investments.

The valuation of ENSA was based on a modified market model using the trading price of the 85% owner of ENSA, SolGold Plc ("SolGold"). This was accomplished by taking the market capitalization of SolGold and subtracting out the estimated fair value of all other identifiable assets and liabilities, to result with the expected value of 85% of ENSA. This value was then used to determine the value of a 15% interest in ENSA subsequent to applying a marketability discount of 5%. The model is most sensitive to the value of the common shares of SolGold (which trade in active market) and the amount of the marketability discount.

As at March 31, 2017, a 10% increase/decrease in the share price of SolGold would result in an increase/decrease in the fair value estimate of ENSA of approximately $16,429,308, keeping all other variables constant.

As at March 31, 2017, a change in the marketability discount of 5% (decrease to 0% or increase to 10%) would result in an increase/decrease in the fair value estimate of ENSA of approximately $8,214,654, keeping all other variables constant.

While this illustrates the overall effect of changing values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonable possible alternative assumptions may differ. The sensitivity analysis is intended to reflect the significant uncertainty inherent in the valuation of private investments under current market conditions, and the results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the estimated fair value of these investments. Furthermore, the analysis does not indicate a probability of changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

The following table presents the fair value, categorized by key valuation techniques and unobservable inputs used within Level 3 as at March 31, 2017.

Description	**Year**	**Fair value ($)**	**Valuation technique**	**Significant unobservable input(s)**	**Range of significant unobservable input(s)**
ENSA	**2017**	164,293,078	Modified market approach	Marketability of shares	5%-10% discount
ENSA	**2016**	82,000,000	Modified market approach	Marketability of shares	5%-10% discount

(Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS (Continued)

During the three months ended March 31, 2017, the Company used a modified market approach to value its investment in ENSA.

As exploration and evaluation work on the underlying property interest was completed by SolGold and the results were released to the market during the three months ended March 31, 2017, the share price of both the Company and SolGold began to rise. As a result, management of the Company determined that there were indicators that fair value has increased and that the cost approach was no longer a reasonable way to estimate the fair value the investment of ENSA and a new valuation method was required.

Management continues to believes that the modified market approach is the most appropriate approach in consideration of various factors including the volatility and trading volume of SolGold shares.

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.

As at March 31, 2017	Level 1	Level 2	Level 3	Total financial assets at fair value
Financial assets	$	$	$	$
Marketable securities (Note 7)	1,406	-	-	1,406
Long-term investment	-	-	164,293,078	164,293,078
	1,406	-	164,293,078	164,294,484

As at December 31, 2016	Level 1	Level 2	Level 3	Total financial assets at fair value
Financial assets	$	$	$	$
Marketable securities (Note 7)	1,323	-	-	1,323
Long-term investment	-	-	82,000,000	82,000,000
	1,323	-	82,000,000	82,001,323

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 counterparties to fulfill their obligations on maturity periods or due to adverse market conditions. The

(Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS (Continued)

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. Funds are kept in Canadian banks and transferred as needed to Ecuador and Chile, which have experienced political and economic stability for many years, and whose banking systems and standards for professional services are comparable to those in North America.

The Company's high grade receivables are with the Canadian government and other recognized, creditworthy third parties.

As at March 31, 2017	Neither past due nor impaired		Past due or Individually impaired	Total
	High grade	Standard grade		
Cash and receivables:				
Cash and cash equivalents	2,661,426	-	–	2,661,426
Others receivables[1]	105,908	-	–	105,908
	2,767,334	-	–	2,767,334

(1) Other receivables excludes sales tax receivable of $22,869.

As at December 31, 2016	Neither past due nor impaired		Past due or Individually impaired	Total
	High grade	Standard grade		
Cash and receivables:				
Cash and cash equivalents	2,627,882	-	–	2,627,882
Others receivables[1]	105,835	-	–	105,835
	2,733,717	-	–	2,733,717

(1) Other receivables excludes sales tax receivable of $15,948.

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, 2017, the Company had a cash balance of $2,661,426 (December 31, 2016 - $2,627,882) to settle current liabilities of $63,912 (December 31, 2016 - $91,567). 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.

6. FINANCIAL INSTRUMENTS (Continued)

Interest rate risk – As at March 31, 2017, and December 31, 2016, 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.

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.

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.

	March 31, 2017 (USD)	December 31, 2016 (USD)
Cash	**1,464,519**	1,848,860
Receivables	**79,600**	79,600
Trade payables and accrued liabilities	**(9,663)**	(9,663)
Net US dollar exposure	**1,534,456**	1,918,797

Based upon the above net exposures to US dollars, as at March 31, 2017, 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 $153,445 (December 31, 2016 - $191,880).

Sensitivity analysis

As at December 31, 2017, the Company has an equity investment in Rambler Metals and Mining which is listed on a Canadian Securities 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, 2017, value of these investments would result in an increase or decrease in net loss and the carrying value of the investments of $281 (December 31, 2016 - $265).

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

(Expressed in Canadian Dollars)

7. LONG TERM INVESTMENTS

As at March 31, 2017, Solgold is the registered shareholder of an 85% interest in ENSA. Subject to the satisfaction of certain conditions, including SolGold's fully funding the project through to feasibility, SolGold Plc will own 85% of the equity of ENSA and Cornerstone will own the remaining 15% of ENSA. SolGold Plc is funding 100% of the exploration at the Cascabel property, which is held by ENSA, up to completion and delivery of a feasibility study, and is the operator of the project.

Upon completion and delivery of a feasibility study, Cornerstone and SolGold shall jointly fund the activities of ENSA based on their proportionate interest. To the extent that either Cornerstone or SolGold fail to fund their proportionate interest, that party will have its ownership in ENSA diluted.

As a result of SolGold funding 100% of the activities in ENSA up to completion and delivery of a feasibility study, SolGold shall receive 90% of any distribution of earnings or dividends from ENSA or the Cascabel property that would otherwise be due to Cornerstone until such time as the amount received by SolGold through such payments equals Cornerstone's proportionate share of the expenditures incurred by SolGold from the date it earned its 85% interest until the time of completion and delivery of the feasibility study plus annual interest of LIBOR +2%.

As at March 31, 2017, the estimated value of the long-term investment in ENSA was $164,293,078 (December 31, 2016 - $82,000,000) See note 6.

As at March 31, 2017, the estimated deferred income tax liability due to the increase in the long-term investment in ENSA was $36,144,477 (December 31, 2016 - $18,040,000).

8. EXPLORATION AND EVALUATION EXPENDITURES

As at December 31, 2016, the Company holds several mineral concessions in Ecuador (excluding the concessions held by ENSA) and several in Chile. A summary of exploration and evaluation expenditures is as follows:

Geographical Area	Exploration and Evaluation expenditures March 31, 2017	Exploration and Evaluation expenditures March 31, 2016
	$	$
Chile	20,680	65,764
Ecuador	257,451	19,218
	278,131	**84,982**

9. SHAREHOLDERS' EQUITY

A) Share Capital

Authorized

An unlimited number of common shares with no par value.

(Expressed in Canadian Dollars)

9. SHAREHOLDERS' EQUITY (Continued)

Issued and outstanding

	March 31, 2017		December 31, 2016	
	Number of Shares	**$**	Number of Shares	$
Common shares	**297,757,143**	**41,345,856**	287,090,996	40,041,836

2017 issuances

During the three months ended March 31, 2017, 10,314,481 warrants were exercised for gross proceeds of $1,031,448. The warrants had an exercise price of $0.10 and would have expired on May 12, 2021. As a result of the exercise of the warrants a total of $205,029 was transferred from warrants to share capital.

During the three months ended March 31, 2017, 431,666 options with an average exercise price of $0.12 and expiry dates between January 13, 2017 and June 14, 2021, were exercised for gross proceeds of $25,733. As a result of the exercise of the stock options a total of $26,856 was transferred from contributed surplus to share capital.

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.

B) 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. There were no options granted during the three months ended March 31, 2017.

During the three months ended March 31, 2017, 431,666 options with an average exercise price of $0.12 and expiry dates between January 13, 2017 and June 14, 2021, were exercised for gross proceeds of $25,733.

Previously granted options vesting during the three months ended March 31, 2017, have been realized and as a result an expense of $272,193 (March 31, 2016 - $17,086) has been recorded in the profit or loss.

During the quarter ended March 31, 2017, 229,999 stock options were forfeited. The options had a weighted average exercise price of $0.12 and expired between January 17, 2017 and May 8, 2018.

(Expressed in Canadian Dollars)

9. SHAREHOLDERS' EQUITY (Continued)

Details of the activity of the stock option plan are as follows:

	For the three months ended March 31, 2017		For the year ended December 31, 2016	
	Number	**Weighted-Average Exercise Price**	Number	Weighted-Average Exercise Price
Balance, beginning of the period	**24,041,664**	**0.13**	11,463,330	0.22
Granted during the year				
To employees, officers, directors and consultants	**-**	**0.00**	15,475,000	0.08
Exercised during the period	**(431,666)**	**0.12**	(226,666)	0.11
Expired	**(728,331)**	**0.14**		
Forfeited or cancelled during the period	**(229,999)**	**0.12**	(2,670,000)	0.37
Balance, end of period	**22,651,668**	**0.13**	24,041,664	0.13
Exercisable, end of Period	**10,275,000**	**0.13**	10,723,334	0.13

The following table summarizes information about stock options outstanding and exercisable at March 31, 2017.

Expiry date	Grant date	Exercise price	Options outstanding	Contractual Life (years)	Options vested	Options unvested	Years remaining to maturity
8-May-18	8-May-13	$0.10	870,000	5	870,000	-	1.10
11-Jun-18	11-Jun-13	$0.10	125,000	5	125,000	-	1.20
5-Mar-19	5-Mar-14	$0.19	3,875,000	5	3,875,000	-	1.93
29-Jan-20	29-Jan-15	$0.10	2,410,000	5	2,410,000	-	2.83
4-Jun-20	4-Jun-15	$0.10	50,000	5	50,000	-	3.18
14-Jun-21	14-Jun-16	$0.05	3,046,667	5	1,986,667	1,060,000	4.21
8-Aug-21	9-Aug-16	$0.11	2,875,000	5	958,333	1,916,667	4.36
15-Nov-21	15-Nov-16	$0.15	9,400,000	5	-	*9,400,000	4.63
			22,651,667		**10,275,000**	**12,376,667**	

***** *These options are issued pending approval by the shareholders of the Company.*

C) Warrants

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

(Expressed in Canadian Dollars)

9. SHAREHOLDERS' EQUITY (Continued)

	For the three months ended March 31, 2017		
	Number	Fair Value $	Weighted-Average Price $
Balance, beginning of the period	**124,240,959**	**3,099,038**	**0.15**
Exercised	**(10,314,481)**	**(205,029)**	**(0.10)**
Balance, end of the period	**113,926,478**	**2,894,009**	**0.15**

	For the year ended December 31, 2016		
	Number	Fair Value $	Weighted-Average Price $
Balance, beginning of the year	**42,647,617**	**1,911,322**	**0.33**
Issued as part of the private placement	**90,000,000**	**1,666,755**	**0.06**
Issued as finders warrants	**4,454,842**	**62,000**	**0.05**
Issued as part of finders units	**3,280,000**	**65,000**	**0.10**
Exercised	**(1,969,000)**	**(39,139)**	**(0.10)**
Expired	**(14,172,500)**	**(566,900)**	**(0.30)**
Balance, end of the year	**124,240,959**	**3,099,038**	**0.15**

Number of warrants	Carrying Value	Exercise price	Expiry date
	$	$	
26,666,667	1,224,466	0.35	April 2019
1,808,450	119,956	0.20	April 2019
77,316,519	1,422,587	0.10	May 12, 2021
3,280,000	65,000	0.10	May 12, 2021
4,454,842	62,000	0.05	May 12, 2018
113,526,478	**2,894,009**	0.15	

D) Loss per share

During the three months ended March 31, 2017, 113,526,478 warrants (2016 – 42,647,617) and 22,651,667 options (2016 – 8,818,330) were excluded from the computation of diluted loss per share as they were anti-dilutive.

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

The following represents a summary of transactions with parties under common control and shareholders for the three months ended March 31, 2017 and 2016. The amounts, which are all expensed as professional and administrative charges, are recorded at the exchange amounts:

Brooke Macdonald, who serves as the Company's President and CEO, provided the Company with management consulting services. During the three months ended March 31, 2017, Mr. Macdonald billed a total of $43,462 ($26,433 - March 31, 2016).

Sabino Di Paola, effective January 1, 2016, was the CFO and Corporate Secretary for the Company. During the three months ended March 31, 2017, Mr. Di Paola billed a total of $25,500 ($16,500 - March 31, 2016), for accounting and management consulting services.

During the three months ended March 31, 2017, non-management directors of the Company accrued stipends of $27,000 (March 31, 2016 - $Nil).

Compensation for the three months ended March 31, 2017, for key management personnel, not included above, is $303,245 ($58,872 - March 31, 2016), which includes salary and other short-term benefits of $51,441 ($46,111 - March 31, 2016), and share-based payments of $251,804 ($12,761 - March 31, 2016). These amounts include salary and benefits for the Company's Vice President, Exploration, group insurances for all management and share based payments for all management and directors.

11. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31,	
	2017	2016
	$	$
Changes in non-cash operating working capital		
(Increase) decrease in accounts receivabl	**(5,994)**	29,134
(Increase) decrease in prepaids	**(3,999)**	6,043
(Decrease) in trade payables and accruals	**(27,655)**	(97,208)
	(37,648)	(62,031)

12. SEGMENT REPORTING

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

	March 31, 2017	December 31, 2016
	$	$
Ecuador		
Property, plant and equipment	**129,590**	104,355
Long-term investment	**164,293,078**	82,000,000
Chile		
Property, plant and equipment	**21,910**	23,081
	164,444,578	82,127,436

12. SEGMENT REPORTING (Continued)

All Chile and Ecuador exploration mineral claims are held by the Company's Chile and Ecuador subsidiaries with all costs incurred in the subsidiaries expensed to exploration and evaluation expenditures on the statement of operations. The Company's long term investment is in an entity with mineral property interests in Ecuador.

13. CONTINGENCIES

There are three claims for alleged non-payment of annual mineral concession fees in Ecuador (relating to the relinquished Shyri SE, Shyri NE, and Rodeo 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, and Shyri NE case is in the Supreme Court. 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 the Company's lawyers in Quito at Tobar ZVS are monitoring the cases and hope to eventually resolve all of them to the satisfaction of CESA, although they cannot guarantee any result.

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 believes that the Company's claim has enough merit to be successful in the Court, although they cannot guarantee any result.

14. COMMITMENTS

On February 22, 2011, the Company signed an agreement to explore the Miocene gold-silver-copper project located in the Regions of Atacama and Antofagasta of northern Chile. 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.

On July 3, 2014, the Company announced that it had amended the Miocene Property Agreement, to reduce the $5 million in required exploration expenditures to $2.5 million. Under the amended Agreement dated June 27, 2014, Cornerstone now has the right to acquire an undivided 100% interest in any concessions acquired using a proprietary database within the Miocene Project area in return for option payments totaling $250,000 and $250,000 in common shares of Cornerstone by April 28, 2017 both in annual increments, and $2,500,000 in exploration expenditures in annual increments by April 28, 2019. Effective April 28, 2017 the Company completed all of its obligations under the Miocene Property Agreement.

(Expressed in Canadian Dollars)

14. COMMITMENTS (Continued)

On or before	Cash	Securities	Exploration or Other Work Commitments
April 28, 2012 (Paid)	$20,000	Common Shares valued at $20,000	Nil
April 28, 2013	Nil (deferred)	Nil (deferred)	Nil
April 28, 2014 (Paid)	$20,000	Common Shares valued at $20,000	Nil
April 28, 2015 (Paid)	$30,000	Common Shares valued at $30,000	$250,000
April 28, 2016 (Paid)	$60,000	Common Shares valued at $60,000	$250,000
April 28, 2017	$120,000	Common Shares valued at $120,000	$500,000
April 28, 2018	Nil	Nil	Nil
April 28, 2019	Nil	Nil	Nil

In April 2017, the Company issued 324,324 common shares and made a cash payment of $120,000.

On April 28, 2017, the Company amended the terms of the option agreement to remove the work commitmments that were previously required in 2018 and 2019.

15. EVENTS AFTER THE REPORTING PERIOD

Exercised options
Subsequent to March 31, 2017, a total of 900,000 stock options were exercised for gross proceeds of $107,000. The stock options had an exercise price of $0.10 and expired between May 8, 2018 and January 29, 2020.

Exercised warrants
Subsequent to March 31, 2017, a total of 100,000 common share purchase warrants were exercised for gross proceeds of $10,000. The warrants had an exercise price of $0.10, expiring May 16, 2021.