



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

*For the three and six months ended
June 30, 2017 and 2016*

CORNERSTONE CAPITAL RESOURCES INC.

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Notice

The accompanying unaudited condensed consolidated interim financial statements of Cornerstone Capital Resources Inc. for the six months ended June 30, 2017 and 2016 have been prepared by and are the responsibility of the Company's management.

CORNERSTONE CAPITAL RESOURCES INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

	As at June 30, 2017	As at December 31, 2016
	\$	\$
ASSETS		
CURRENT		
Cash and cash equivalents	1,410,967	2,627,882
Marketable securities (Note 6)	51,764,562	1,323
Receivables	130,215	121,783
Prepaid expenses	54,433	37,709
TOTAL CURRENT ASSETS	53,360,177	2,788,697
Long term investments (Note 7)	157,898,251	82,000,000
Property and equipment (Note 8)	244,155	127,436
TOTAL ASSETS	211,502,583	84,916,133
LIABILITIES		
CURRENT		
Trade payables and accrued liabilities	68,937	91,567
TOTAL CURRENT LIABILITIES	68,937	91,567
Deferred tax liability (Note 7)	34,737,615	18,040,000
TOTAL LIABILITIES	34,806,552	18,131,567
EQUITY		
Shareholders' equity (Note 10)	176,696,031	66,784,566
TOTAL LIABILITIES AND EQUITY	211,502,583	84,916,133

Basis of presentation (Note 2)

Contingencies (Note 14)

Commitments (Note 15)

Events after the reporting period (Note 16)

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

"Brooke Macdonald" Director

"Colin McKenzie" Director

See accompanying notes to the unaudited condensed consolidated interim financial statements

CORNERSTONE CAPITAL RESOURCES INC.

Unaudited Condensed Consolidated Interim Statements of Operations and Comprehensive Income (loss)

(Expressed in Canadian Dollars)

	Three months ended June 30, 2017 \$	Three months ended June 30, 2016 \$	Six months ended June 30, 2017 \$	Six months ended June 30, 2016 \$
REVENUE AND OTHER INCOME				
Gain on disposal of property and equipment	-	-	-	28,987
Project revenue	66,500	-	66,500	-
Other income	58,997	-	58,997	-
Unrealized gain (loss) on value of marketable securities	2,976,006	(44)	2,975,923	(215)
Investment income	366	21,072	369	23,066
TOTAL REVENUE AND OTHER INCOME	3,101,869	21,028	3,101,789	51,838
EXPENSES				
General and administrative	442,699	153,720	869,910	281,964
Share-based payments (Note 10)	268,645	61,366	540,838	78,452
Consulting fees	322,752	157,019	413,111	203,259
Accounting, audit and legal	141,082	74,140	284,593	129,302
Loss on sale of marketable securities	-	-	-	4,698
Depreciation (Note 8)	10,925	2,523	19,810	5,047
Interest and bank charges	1,456	6,649	2,955	10,196
Foreign exchange loss	3,400	96,785	30,686	94,708
Exploration and evaluation expenditures (Note 9)	635,125	298,971	913,256	383,953
TOTAL EXPENSES	1,826,084	851,173	3,075,159	1,191,579
NET INCOME (LOSS) FOR THE PERIOD	1,275,785	(830,145)	26,630	(1,139,741)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequent to income				
Unrealized gain (loss) on Investment (Note 7)	(6,394,827)	-	75,898,251	-
Deferred Income tax (expense) recovery (Note 7)	3,875,655	-	(16,697,615)	-
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(2,519,172)	-	59,200,636	-
NET COMPREHENSIVE INCOME	(1,243,387)	(830,145)	59,227,266	(1,139,741)
Income (Loss) per share				
Basic	0.00	(0.00)	0.00	(0.01)
Diluted	0.00	(0.00)	0.00	(0.01)
Weighted-average number of shares outstanding				
Basic	303,080,459	190,415,330	295,517,924	190,415,330
Diluted	303,080,459	190,415,330	295,517,924	190,415,330

See accompanying notes to the unaudited condensed consolidated interim financial statements

CORNERSTONE CAPITAL RESOURCES INC.

Unaudited 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	-	-	-	-	-	(1,139,741)	(1,139,741)
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
Warrants issued in private placements	-	(1,666,755)	1,666,755	-	-	-	-
Share-based payments	-	-	-	78,452	-	-	78,452
Share issue cost - issued in units	3,280,000	99,000	-	-	-	-	99,000
Share issuance costs	-	(314,849)	127,000	-	-	-	(187,849)
Balance, June 30, 2016	284,895,330	39,786,049	3,705,077	8,791,707	-	(48,649,647)	3,633,186
Total comprehensive loss for the period	-	-	-	-	63,917,143	(1,693,353)	62,223,790
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
Expired warrants	-	-	(566,900)	566,900	-	-	-
Share-based payments	-	-	-	724,507	-	-	724,507
Share issuance costs	-	(19,550)	-	-	-	-	(19,550)
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	-	-	-	-	59,200,636	26,630	59,227,266
Shares issued on exercise of stock options	1,431,666	267,489	-	(97,856)	-	-	169,633
Shares issued on exercise of warrants	11,234,481	1,336,765	(223,316)	-	-	-	1,113,449
Shares issued for property agreements	324,324	120,000	-	-	-	-	120,000
Shares issued for acquisition of marketable securities	120,821,675	48,787,316	-	-	-	-	48,787,316
Share-based payments	-	-	-	540,838	-	-	540,838
Share issue costs	-	(47,037)	-	-	-	-	(47,037)
Balance, June 30, 2017	420,903,142	90,506,369	2,875,722	10,512,531	123,117,779	(50,316,370)	176,696,031

See accompanying notes to the unaudited condensed consolidated interim financial statements

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

	Six months ended June 30, 2017	Six months ended June 30, 2016
	\$	\$
OPERATING ACTIVITIES		
Net gain (loss) for the period	26,630	(1,139,741)
Items not affecting cash:		
Depreciation	19,810	5,047
Interest and bank charges recognized in net loss	-	10,196
Interest income recognized in net loss	(3)	(1,587)
Write-down of exploration and evaluation assets	-	383,953
Unrealized loss on value of marketable securities	(2,975,923)	215
Loss on sale of marketable securities	-	4,698
Non-cash exploration expenditures	120,000	-
Gain on disposal of property and equipment	-	(28,987)
Share-based payments	540,838	78,452
Changes in non-cash operating working capital (Note 12)	(47,786)	(175,389)
CASHFLOWS FROM OPERATING ACTIVITIES	(2,316,434)	(863,143)
INVESTING ACTIVITIES		
Exploration and evaluation expenditures - net	-	(323,953)
Interest and bank charges paid	-	(10,196)
Interest income received	3	370
Proceeds on sale of investments	-	21,760
Purchase of property and equipment	(136,529)	-
Proceeds from disposal of property and equipment	-	34,766
CASHFLOWS FROM INVESTING ACTIVITIES	(136,526)	(277,253)
FINANCING ACTIVITIES		
Proceeds from exercise of stock options	169,633	-
Proceeds from loan	-	419,000
Repayment of loan	-	(419,000)
Proceeds from exercise of warrants	1,113,449	-
Proceeds from issuance of share capital and warrants - net	(47,037)	4,403,917
CASHFLOWS FROM FINANCING ACTIVITIES	1,236,045	4,403,917
INCREASE (DECREASE) IN CASH	(1,216,915)	3,263,521
CASH, BEGINNING OF THE PERIOD	2,627,882	175,029
CASH, END OF THE PERIOD	1,410,967	3,438,550

See accompanying notes to the unaudited condensed consolidated interim financial statements

CORNERSTONE CAPITAL RESOURCES INC.
Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2017
(Expressed in Canadian Dollars)

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 unaudited condensed consolidated interim financial statements (“financial statements”) for the three and six months ended June 30, 2017 were authorized for issuance by the Board of Directors of the Company on August 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 of the annual financial statements for the year ended December 31, 2016.

These financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2016.

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 June 30, 2017, the Company had an accumulated deficit of \$50,316,370 (December 31, 2016 - \$50,343,000) and has recorded a net comprehensive income of \$59,200,636 for the six months ended June 30, 2017 (June 30, 2016 – net comprehensive loss of \$1,139,741). 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 June 30, 2017, had cash balances of \$1,410,967 (December 31, 2016 - \$2,627,882) and current liabilities of \$68,937 (December 31, 2016 - \$91,567). The Company currently does

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

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.

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. 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.

4. 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 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.

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

4. CAPITAL MANAGEMENT (Continued)

The Company's capital management objectives, policies and processes have remained unchanged during the three and six months ended June 30, 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.

5. 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

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 six months ended June 30, 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.

	Six months ended June 30, 2017	Year ended December 31, 2016
Investments, fair value		
Balance, beginning of period	\$ 82,000,000	\$ 42,857
Changes in valuation	75,898,251	81,957,143
Balance, end of period	\$ 157,898,251	\$ 82,000,000

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

CORNERSTONE CAPITAL RESOURCES INC.
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(Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS (Continued)

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, which resulted in 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 June 30, 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 \$15,789,825, keeping all other variables constant.

As at June 30, 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 \$7,894,913, 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 June 30, 2017.

Description	Period	Fair value (\$)	Valuation technique	Significant unobservable input(s)	Range of significant unobservable input(s)
ENSA	June 30, 2017	157,898,251	Modified market approach	Marketability of shares	5%-10% discount
ENSA	December 31, 2016	82,000,000	Modified market approach	Marketability of shares	5%-10% discount

During the six months ended June 30, 2017, the Company used a modified market approach to value its investment in ENSA.

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

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

5. FINANCIAL INSTRUMENTS (Continued)

The Company has no liabilities recorded at fair value on June 30, 2017 and December 31, 2016. 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 in 2016 and 2017.

As at June 30, 2017	Level 1	Level 2	Level 3	Total financial assets at fair value
Financial assets	\$	\$	\$	\$
Marketable securities (Note 6)	51,764,562	-	-	51,764,562
Long-term investment	-	-	157,898,251	157,898,251
	<u>51,764,562</u>	<u>-</u>	<u>157,898,251</u>	<u>209,662,813</u>

As at December 31, 2016	Level 1	Level 2	Level 3	Total financial assets at fair value
Financial assets	\$	\$	\$	\$
Marketable securities (Note 6)	1,323	-	-	1,323
Long-term investment	-	-	82,000,000	82,000,000
	<u>1,323</u>	<u>-</u>	<u>82,000,000</u>	<u>82,001,323</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 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. 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.

CORNERSTONE CAPITAL RESOURCES INC.
Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2017
(Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS (Continued)

As at June 30, 2017	Neither past due nor impaired		Past due or Individually impaired	Total
	High grade	Standard grade		
Cash and receivables:				
Cash and cash equivalents	1,410,967	-	-	1,410,967
Other receivables ⁽¹⁾	103,431	-	-	103,431
	<u>1,514,398</u>	<u>-</u>	<u>-</u>	<u>1,514,398</u>

(1) Other receivables excludes sales tax receivable of \$26,784.

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
Other receivables ⁽¹⁾	105,835	-	-	105,835
	<u>2,733,717</u>	<u>-</u>	<u>-</u>	<u>2,733,717</u>

(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 June 30, 2017, the Company had a cash balance of \$1,410,967 (December 31, 2016 - \$2,627,882) to settle current liabilities of \$68,937 (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.

Interest rate risk – As at June 30, 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.

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

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 CAD dollars.

	June 30, 2017 (CAD)	December 31, 2016 (CAD)
Cash	645,044	1,848,860
Receivables	79,600	79,600
Trade payables and accrued liabilities	(9,663)	(9,663)
Net US dollar exposure presented in CAD	714,981	1,918,797

Based upon the above net exposures to US dollars, as at June 30, 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 \$71,498 (December 31, 2016 - \$191,880).

Sensitivity analysis

As at June 30, 2017, the Company has an equity investments in Rambler Metals and Mining and SolGold Plc which is listed on the TSX Venture Exchange and the Alternative Investment Market ("AIM") on the London Stock Exchange. Equity investments are classified by the Company as "F.V.T.P.L." and are measured at fair value. As of July 13, 2017, SolGold Plc started trading on the Toronto Stock Exchange.

A 20% change in the June 30, 2017, value of these investments would result in an increase or decrease in net loss and the carrying value of the investments of \$10,352,912 (December 31, 2016 - \$265).

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

CORNERSTONE CAPITAL RESOURCES INC.
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(Expressed in Canadian Dollars)

6. MARKETABLE SECURITIES

The Company does not purchase shares of publicly listed companies on the open market. All are listed on either the Toronto Stock Exchange or the London AIM Exchange. Market values of the investments are as follows:

	June 30, 2017	December 31, 2016
	\$	\$
Rambler Metals and Mining ⁽¹⁾	1,241	1,323
SolGold Plc	51,763,321	-
	51,764,562	1,323

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

The Rambler Metals and Mining securities held by the Company were acquired through prior year's property option and sales transactions with the below listed companies.

On June 27, 2017, the Company acquired 78,212,500 ordinary shares of SolGold plc from multiple non-arms length parties, in exchange for 120,821,675 common shares of Cornerstone. The acquisition of the SolGold shares was initially records at \$48,787,316, which was the fair market value of the SolGold shares at the date of acquisition.

7. LONG TERM INVESTMENTS

As at June 30, 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 June 30, 2017, the estimated value of the long-term investment in ENSA was \$157,898,251 (December 31, 2016 - \$82,000,000). Refer to note 5 for details on the valuation of the investment in ENSA. As at June 30, 2017, the estimated deferred income tax liability due to the increase in the long-term investment in ENSA was \$34,737,615 (December 31, 2016 - \$18,040,000).

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8. PROPERTY AND EQUIPMENT

	Equipment	Computers	Vehicles	Total
	\$	\$	\$	\$
Cost:				
At December 31, 2016	46,083	112,061	152,130	310,274
Additions	31,860	6,277.00	98,392	136,529
Disposals	-	-	-	-
At June 30, 2017	77,943	118,338	250,522	446,803
Depreciation:				
At December 31, 2016	23,588	109,648	49,602	182,838
Additions	3,580	1,249	14,982	19,810
Disposals	-	-	-	-
At June 30, 2017	27,168	110,897	64,584	202,648
Net book value				
At June 30, 2017	50,775	7,441	185,938	244,155

	Equipment	Computers	Vehicles	Total
	\$	\$	\$	\$
Cost:				
At December 31, 2015	70,741	112,061	89,859	272,661
Additions	-	-	95,864	95,864
Disposals	(24,658)	-	(33,593)	(58,251)
At December 31, 2016	46,083	112,061	152,130	310,274
Depreciation:				
At December 31, 2015	37,822	107,467	76,168	221,457
Additions	5,617	2,181	1,673	9,471
Disposals	(19,851)	-	(28,239)	(48,090)
At December 31, 2016	23,588	109,648	49,602	182,838
Net book value				
At December 31, 2016	22,495	2,413	102,528	127,436

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9. EXPLORATION AND EVALUATION EXPENDITURES

As at June 30, 2017, 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	Three months ended June 30, 2017		Six months ended June 30, 2017	
	Exploration and Evaluation expenditures	Exploration and Evaluation expenditures	Exploration and Evaluation expenditures	Exploration and Evaluation expenditures
	\$	\$	\$	\$
Chile	244,164	120,218	264,844	185,982
Ecuador	390,961	178,753	648,412	197,971
	635,125	298,971	913,256	383,953

10. SHAREHOLDERS' EQUITY

A) Share Capital

Authorized

An unlimited number of common shares with no par value.

Issued and outstanding

	June 30, 2017		December 31, 2016	
	Number of Shares	\$	Number of Shares	\$
<i>Common shares</i>	420,903,142	90,506,369	287,090,996	40,041,836

2017 issuances

During the six months ended June 30, 2017, 11,234,481 warrants were exercised for gross proceeds of \$1,113,449. 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 \$223,316 was transferred from warrants to share capital.

During the six months ended June 30, 2017, 1,431,666 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 \$169,633. As a result of the exercise of the stock options a total of \$97,856 was transferred from contributed surplus to share capital.

On April 27, 2017, the Company issued 324,324 common shares, with a value of \$120,000, and made a cash payment of \$120,000 in regards to the Miocene gold-silver-copper project in Chile.

On June 27, 2017, the Company acquired 78,212,500 ordinary shares of SolGold plc from multiple non-arms length parties, in exchange for 120,821,675 common shares of Cornerstone. The acquisition of the SolGold shares was initially records at \$48,787,316, which was the fair market value of the SolGold shares at the date of acquisition.

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10. SHAREHOLDERS' EQUITY (Continued)

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 six months ended June 30, 2017.

During the six months ended June 30, 2017, 1,431,666 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 \$169,633.

Previously granted options vesting during the six months ended June 30, 2017, have been realized and as a result an expense of \$540,838 (June 30, 2016 - \$78,452) has been recorded in the profit or loss.

During the six ended June 30, 2017, 374,667 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.

On July 13, 2017, 7,500,000 stock options were granted to officers, directors and consultants of the Company. The options are exercisable at \$0.475 and expire on July 12, 2022 (Note 14).

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

	For the Six months ended June 30, 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	(1,431,666)	0.12	(226,666)	0.11
Expired	(583,331)	0.14	-	-
Forfeited or cancelled during the period	(374,667)	0.12	(2,670,000)	0.37
Balance, end of period	21,652,000	0.13	24,041,664	0.13
Exercisable, end of Period	13,378,111	0.13	10,723,334	0.13

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10. SHAREHOLDERS' EQUITY (Continued)

The following table summarizes information about stock options outstanding and exercisable at June 30, 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	570,000	5	570,000	-	0.85
11-Jun-18	11-Jun-13	\$0.10	125,000	5	125,000	-	0.95
5-Mar-19	5-Mar-14	\$0.19	3,675,000	5	3,675,000	-	1.68
29-Jan-20	29-Jan-15	\$0.10	1,877,000	5	1,877,000	-	2.58
4-Jun-20	4-Jun-15	\$0.10	50,000	5	50,000	-	2.93
14-Jun-21	14-Jun-16	\$0.05	3,146,667	5	2,053,333	1,093,334	3.96
8-Aug-21	9-Aug-16	\$0.11	2,875,000	5	1,916,667	958,333	4.11
15-Nov-21	15-Nov-16	\$0.15	9,333,333	5	3,111,111	6,222,222	4.38
			21,652,000		13,378,111	8,273,889	

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.

**For the six months ended
June 30, 2017**

	Number	Fair Value \$	Weighted-Average Price \$
Balance, beginning of the period	124,240,959	3,099,038	0.15
Exercised	(11,234,481)	(223,316)	(0.10)
Balance, end of the period	113,006,478	2,875,722	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

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10. SHAREHOLDERS' EQUITY (Continued)

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
76,796,519	1,404,300	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
113,006,478	2,875,722	0.15	

D) Loss per share

During the three and six months ended June 30, 2017, 113,006,478 warrants (2016 – 140,382,459) and 21,652,000 options (2016 – 12,150,000) were excluded from the computation of diluted loss per share as they were anti-dilutive.

11. RELATED PARTY TRANSACTIONS

The following represents a summary of transactions with parties under common control and shareholders for the three and six months ended June 30, 2017 and 2016. The amounts are expensed as professional and administrative charges.

Brooke Macdonald, who serves as the Company's President and CEO, provided the Company with management consulting services. During the three and six months ended June 30, 2017, Mr. Macdonald billed a total of \$235,926 (\$32,727 – June 30, 2016) and \$279,388 (\$73,802 – June 30, 2016) respectively. Included in the fees billed was a performance bonus of \$134,110 (\$Nil - June 30, 2016) in recognition of the performance in the Company's share price.

Sabino Di Paola, who serves as the CFO and Corporate Secretary for the Company, provided the Company with management consulting services. During the three and six months ended June 30, 2017, Mr. Di Paola billed a total of \$49,600 (\$16,500 – June 30, 2016) and \$75,100 (\$34,500 – June 30, 2016) respectively, for accounting and management consulting services. Included in the fees billed was a performance bonus of \$22,500 (\$Nil - June 30, 2016) in recognition of the performance in the Company's share price.

During the three and six months ended June 30, 2017, non-management directors of the Company accrued stipends of \$27,000 (\$Nil - June 30, 2016) and \$54,000 (\$21,000 - June 30, 2016) respectively.

Compensation for the three and six months ended June 30, 2017, for key management personnel, not included above, is \$362,411 (\$88,496 – June 30, 2016) and \$699,103 (\$140,229 – June 30, 2016) respectively, which includes salary and other short-term benefits of \$132,757 (\$39,422 – June 30, 2016) and \$217,522 (\$78,844 – June 30, 2016) respectively, and share-based payments of \$229,654 (\$49,074 – June 30, 2016) and \$481,581 (\$61,385 – June 30, 2016) respectively. 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. Included in the Company's Vice President, Exploration's fees billed was a performance bonus of \$67,055 (\$Nil - June 30, 2016) in recognition of the performance in the Company's share price.

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12. SUPPLEMENTAL CASH FLOW INFORMATION

	Six months ended June 30,	
	2017	2016
	\$	\$
Changes in non-cash operating working capital		
(Increase) decrease in receivables	(8,432)	(6,202)
(Increase) decrease in prepaid expenses	(16,724)	(3,661)
(Decrease) in trade payables and accrued liabilities	(22,630)	(165,526)
	<u>(47,786)</u>	<u>(175,389)</u>

13. 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:

	June 30, 2017	December 31, 2016
	\$	\$
Ecuador		
Property, plant and equipment	223,416	104,355
Long-term investment	157,898,251	82,000,000
Chile		
Property, plant and equipment	20,739	23,081
	<u>158,142,406</u>	<u>82,127,436</u>

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.

14. 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, which the Company maintains was 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

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14. CONTINGENCIES (Continued)

such notice. 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.

15. 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.

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 (Paid)	\$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 commitments that were previously required in 2018 and 2019.

Effective April 28, 2017 the Company completed all of its obligations under the Miocene Property Agreement.

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16. EVENTS AFTER THE REPORTING PERIOD

Exercised options

Subsequent to June 30, 2017, a total of 679,998 stock options were exercised for gross proceeds of \$70,833. The stock options had an exercise price of \$0.10 and expired between May 8, 2018 and January 29, 2020.

Exercised warrants

Subsequent to June 30, 2017, a total of 21,151,667 common share purchase warrants were exercised for gross proceeds of \$1,967,833. The warrants had an average exercise price of \$0.09, expiring May 16, 2021.

Acquisition of marketable securities

On July 4, 2017, the Company announced it had agreed to acquire an additional 91,943,914 ordinary shares of SolGold plc from multiple parties in exchange for 140,957,200 common shares of Cornerstone.

Stock option grant

On July 13, 2017, 7,500,000 stock options were granted to officers, directors and consultants of the Company. The options are exercisable at \$0.475 and expire on July 12, 2022.