CORNERSTONE

Management's Discussion & Analysis of

Financial Conditions & Results of Operations

For the Three and Six Months Ended June 30, 2016 and 2015

CORNERSTONE CAPITAL RESOURCES INC.

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The following discussion and analysis, dated August 26, 2016, should be read in conjunction with the Consolidated Financial Statements and related notes. All dollar amounts are stated in Canadian dollars, unless otherwise noted.

This discussion includes certain statements that may be deemed forward-looking statements. All statements in this discussion, other than statements of historical facts, that address exploration drilling, exploration activities and events or developments that Cornerstone Capital Resources Inc. (the "Company" or "Cornerstone") expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and investors are cautioned that actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include market prices, exploration, continued availability of capital and financing and general economic, market or business conditions.

Description of Business

Cornerstone Capital Resources Inc. ("Cornerstone" or the "Company"), is incorporated under the laws of Alberta, Canada and has its principal office in Ottawa, Ontario, Canada. The Company, through its wholly-owned subsidiaries, Cornerstone Resources Inc., Cornerstone Ecuador S.A., La Plata Minerales S.A., and Minera Cornerstone Chile Limitada, and its 15% shareholding in Exploraciones Novomining S.A. ("ENSA"), is a prospect generator engaged in the evaluation, acquisition and exploration of mineral properties in Ecuador and Chile. The Company hopes to ultimately develop the properties, option or lease properties to third parties, or sell the properties outright.

Results of Operations

The three and six months ended June 30, 2016, compared with the three and six months ended June 30, 2015.

At January 1, 2016, exploration properties held by the Company totalled 111 claims. During the three months ended June 30, 2016, a number of property claims were dropped, leaving the Company with a total of 0 claims in Canada, 44 in Chile and 3 concessions in Ecuador (not counting the Cascabel concession held by ENSA) at June 30, 2016.

During the three and six months ended June 30, 2016, the Company had a net loss of $830,145 and $1,139,741 respectively as well as a loss per share of $0.00 and $0.01 respectively (compared to a net loss of $866,220 and $2,071,034 and a loss per share of $0.00 and $0.01 respectively for the three and six months ended June 30, 2015). Expenses incurred during the three and six months ended June 30, 2016 were $754,432 and $1,097,086 respectively compared to $869,719 and $2,125,352 respectively for the three and six months ended June 30, 2015. The decreases for the three and six month periods ended

June 30, of $36,075 and $931,293 respectively were due to a number of factors, the most notable of which are:

General & Administrative decreased by $140,796 and $413,425 for the three and six months ended June 30, 2016 compared the same periods in 2015. The decrease is due to the fact that in Q3 2015, the Company terminated the employment of the majority of its employees in Canada, Chile and Ecuador (paying out significant sums in legally mandated termination indemnities in Ecuador), outsourced its accounting and compliance functions, and used consultants to perform the remaining necessary functions at a reduced cost. There was significantly less general and administrative work performed in Q2 2016 compared to Q2 2015 as well.

Share based payments decreased by $12,789 and $120,519 for the three and six months ended June 30, 2016 compared to the same periods in 2015.

On June 14, 2016, the Company issued 3,200,000 stock options to directors, officers and consultants of the company and are exercisable at $0.05 until June 14, 2021.The stock options vest in three tranches with 1,066,666 options vesting on grant, 1,066,666 vesting nine months after grant and 1,066,667 vesting eighteen months after grant. The stock options have a Black-Scholes option pricing value of $113,500. Only options vested during the year have been realized and as a result an expense of $44,139 has been recorded in the consolidated statement of loss and comprehensive loss.

Previously granted options vesting during the six months ended June 30, 2016, have been realized and as a result an expense of $34,313 has been recorded in the consolidated statement of loss and comprehensive loss.

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

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

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

Consulting fees expense increased by $73,802 and $33,660 for the three and six months ended June 30, 2016, compared to the same periods in 2015. The increase during the three months ended June 30, 2016 was primarily due to consulting fees paid in connection with the May 12, 2016 financing. There was no similar financing in 2015. The smaller increase for the six months ended June 30, 2016 was due to the consulting fees paid in connection with the May 12, 2016 financing, which was largely offset by a reduction in fees paid to the CEO and CFO in 2016 compared to 2015.

Accounting, audit and legal expenses decreased by $75,572 and $73,113 for the three and six months ended June 30, 2016 compared to the same periods in 2015. The decrease is due to lower activity in 2016 compared to 2015 as well as negotiated reductions in professional fees. Management has also performed more services in house in 2016 compared to 2015 resulting in a further cost savings.

Loss on sale of marketable securities was $35,405 and $66,435 lower during the three and six months ended June 30, 2016 compared to the same periods in 2015.

During the six months ended June 30, 2016, the Company sold 125,000 common shares of Benton Resources for gross proceeds of $5,000 and recorded a gain on sale of marketable securities of $615 in the statement of loss and comprehensive loss.

During the six months ended June 30, 2016, the Company sold 488,560 common shares of SolGold Plc. for gross proceeds of $16,780 and recorded a loss on sale of marketable securities of $5,313 in the statement of operations and comprehensive loss.

During the six months ended June 30, 2015, the Company sold 416,500 common shares of Rambler Metals and Mining for gross proceeds of $100,245 and recorded a loss on sale of marketable securities of $66,435 in the statement of loss and comprehensive loss.

Exploration and evaluation expenses increased by $45,545 for the three months ended June 30, 2016, compared to 2015 and decreased by $283,632 for the six months ended June 30, 2016 compared to 2015. The variances are due to the timing of the work programs, properties being advanced as well as the size of the current exploration programs compared to those performed in the prior year. As the current programs are based on the previous programs results as well as previously collected data on the companies projects the size of the current program is budgeted to meet the exploration goals for the current year and not based on requirements for spending a fixed amount on annual exploration. While the Company believes its current properties in Ecuador and Chile still hold significant potential, given the poor markets for fundraising, it decided to write off the value of the Chile and Ecuador properties. If funds from partners can be raised, exploration will continue on these properties. The proceeds from the current financing of $4.5 million announced April 7, 2016 (see below under ***Financial Conditions, Liquidity and Capital Resources***) will be used to maintain these current properties until partners can be found to advance them further (including drilling the 3 drill-ready Ecuador properties), acquire new concessions in Ecuador that will be open for application in a bidding process during the remainder of 2016 after being off limits for 8 years, and to do initial prospecting and early stage exploration work on those new properties and on any areas eventually included in the ENAMI-CESA Strategic Alliance (see Exploration Outlook below).

Gain on disposal of property and equipment for the six months ended June 30, 2016, was $23,066 compared to $Nil in 2015. In 2016 the Company's foreign subsidiaries sold equipment which was not currently in use. There were no similar sales of equipment in Q1 and Q2 2015.

Exploration and evaluation assets

Net property expenditures of $383,953 were incurred during the six months ended June 30, 2016, compared to $622,753 during the same period in 2015. Included in the net property expenditures for the six months ended June 30, 2016, are recoveries and option payments from exploration partners of $Nil compared to $14,833 for the same period in 2015. Please also see text above under ***Exploration and evaluation expenses.***

Geographical Area	Number of Claims	Balance, Beginning of Period	Additions	Exploration and Evaluation costs Expensed	Balance, End of Period
		$	$	$	$
Chile	**44**	**-**	**185,982**	**(185,982)**	**-**
Ecuador	**3**	**-**	**197,971**	**(197,971)**	**-**
	47	**-**	**383,953**	**(383,953)**	**-**

Financial Conditions, Liquidity and Capital Resources

As at June, 2016 the Company had cash of $3,438,550 compared to cash of $175,029 at December 31, 2015. As at June 30, 2016 the working capital surplus (current assets less current liabilities) of the Company was $3,547,099 compared to a working capital surplus of $129,263 at December 31, 2015.

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

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

Outstanding Share Data

As at June 30, 2016 the Company had 284,895,330 common shares outstanding. The Company had 12,150,000 options outstanding at June 30, 2016, at various exercise prices as shown in the following chart, and 140,382,459 warrants issued in connection with private placement financings.

The following table summarizes information about stock options outstanding and exercisable at June 30, 2016:

Expiry date	Grant date	Exercise price	Options outstanding	Contractual Life (years)	Options vested	Options unvested	Years remaining to maturity	Wieghted average exercise price	Wieghted average exercise price of vested options
3-Aug-16	3-Aug-11	$0.27	25,000	5	25,000	-	0.09	$ -	$ -
13-Jan-17	13-Jan-12	$0.14	1,475,000	5	1,475,000	-	0.54	$ 0.02	$ 0.02
8-May-18	8-May-13	$0.10	990,000	5	990,000	-	1.85	$ 0.01	$ 0.01
11-Jun-18	11-Jun-13	$0.10	125,000	5	125,000	-	1.95	$ -	$ -
5-Mar-19	5-Mar-14	$0.19	3,875,000	5	3,875,000	-	2.68	$ 0.05	$ 0.07
29-Jan-20	29-Jan-15	$0.10	2,410,000	5	2,410,000	-	3.58	$ 0.02	$ 0.03
4-Jun-20	4-Jun-15	$0.10	50,000	5	50,000	-	3.93	$ -	$ -
14-Jun-21	14-Jun-16	$0.05	3,200,000	5	1,066,667	2,133,333	4.96	$ 0.01	$ 0.01
			12,150,000		**10,016,667**	**2,133,333**		**$ 0.11**	**$ 0.14**

Financial Instrument Risk

The Corporation’s financial assets and financial liabilities are exposed to various risk factors that may affect the fair value presentation or the amount ultimately received or paid on settlement of its assets and liabilities. A summary of the major financial instrument risks and the Corporation’s approach to the management of these risks are highlighted below.

Credit risk

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

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

Foreign currency risk

The Company transacts its exploration business primarily 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.

	June 30, 2016	December 31, 2015
Cash	**3,329,613**	122,259
Receivables	**114,388**	213,714
Trade payables and accrued liabilities	**(39,271)**	(76,632)
Net US dollar exposure	**3,404,730**	259,341

Based upon the above net exposures to US dollars, as at June 30, 2016, a 10% change in the value of the US dollar to the Canadian dollar exchange rate would impact the Company's net loss by approximately $340,473 (December 31, 2015 - $25,934).

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, 2016, the Company had a cash balance of $3,438,550 (December 31, 2015 - $175,029) to settle current liabilities of $78,712 (December 31, 2015 - $249,838). To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through equity or partnering transactions. All of the Company's financial liabilities are normally paid within 30 days and are subject to normal trade terms. The Company has no source of operating cash flow to fund its exploration and development projects. Funding for projects requires equity or debt financing. The Company has limited financial resources and there is no assurance that funding will always be available to allow the Company to fulfill its obligations on existing or future exploration projects.

Other 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.

Interest rate risk
As at June 30, 2016, and December 31, 2015, the Company does not have any cash balances subject to interest rate risk. The Company's current policy is to invest excess cash in interest bearing deposit accounts or guaranteed investment securities with its financial institutions. The Company had two loans payable at a variable rate. As at June 30, 2016 both of the loans had been fully repaid.

Related Party Transactions

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

Sabino Di Paola, effective January 1, 2016, was the CFO and Corporate Secretary for the Company, following the resignation of the previous CFO who was based in Newfoundland, on December 31, 2015, due to the closure of the Company's Newfoundland operations. During the three and six months ended June 30, 2016, Mr. Di Paola billed a total of $16,500 and $34,500 ($Nil and $Nil for the three and six months ended June 30, 2015) respecitively, while Mr. Loveys billed $Nil and $Nil ($33,000 and $66,000 for the three and six months ended June 30, 2015) respectively for the three and six months ended June 30, 2016, for accounting and management consulting services.

Director Brooke Macdonald, who serves as the Company's President and CEO, provided the Company with management consulting services of $32,727 and $73,802 ($50,217 and $103,599 for the three and six months ended June 30, 2015) the three and six months ended June 30, 2016. These transactions are considered to be in the normal course of business.

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

During the six months ended June 30, 2016, non-management directors of the Company received stipends for of $21,000 (2015 - $15,000).

Compensation for the six months ended June 30, 2016, for key management personnel, not included above, is $140,229 (2015 - $321,946), which includes salary and other short-term benefits of $78,844 (2015 - $152,530), and share-based payments of $61,385 (2015 – $169,416). 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.

In March 2016, a director of the Company loaned the $5,000 to the Company. The loan carries an annual interest rate of LIBOR plus 3% compounded monthly and had no set matury date. On May 12, 2016, the Company repaid the loan and accrued interest following closing the Company's financing on May 12, 2016.

Acquisition and Write-down of Mineral Properties

The Company's strategy is grass roots project generation followed by project level exploration usually with a partner which funds exploration costs. All properties which are under consideration for acquisition must initially pass through Company generated evaluation criteria. Properties which are considered worthy are then acquired, provided a reasonable agreement can be reached with the owner or the property is available for staking or acquisition upon application. In cases where the project does not develop to the stage that management perceives it to be likely to attract such financing or if subsequent work by the Company indicates that further in-house work will not yield favourable results, the property is abandoned.

Off-Balance Sheet Arrangements

At June 30, 2016 and December 31, 2015, the Company had no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Property Agreements and Exploration

The Company is engaged in the evaluation, acquisition and exploration of mineral properties in Ecuador and Chile, of which most of the exploration activities of the Company are carried on with partners. The Company plans to ultimately develop the properties, bring them into production, option or lease properties to third parties, or sell the properties outright. The Company typically uses an "earn-in" arrangement with partners, whereby the partner funds all the exploration expenditures in return for a percentage ownership in the project. The Company capitalizes all such property expenditures and reduces the property carrying value by payments received by its partners.

Details of property agreements are disclosed by press release at the time of formation. Updates concerning the results of ongoing exploration programs are also updated by press release. Press releases issued by the Company, including those issued during the quarter ended March 31, 2016, are archived at the Company's website www.cornerstoneresources.com. Regulatory filings are also available through www.sedar.com.

Exploration Outlook

For the next 3 years, Cornerstone plans an aggressive prospecting program within the ENAMI-CESA Strategic Alliance (Project Generation) and on other high priority target areas within Ecuador, following the signing of the ENAMI definitive agreement announced June 14, 2016). At the time the Company signed the letter of intent with ENAMI in 2015, the only way to gain access to new prospective ground in Ecuador was through ENAMI exercising its preferential right under the law. This situation has recently changed, as a result of the Government opening up vast areas of the country for concession applications. The Company has applied for approximately 60,000 hectares of high priority copper porphyry and epithermal gold concessions, 35,000 hectares under the ENAMI agreement and the rest on its own. The Company's plan is to begin prospecting and regional reconnaissance work in late 2016, as soon as the concessions are granted. Minimal environmental, H&S and social work will be carried out early into the programs.

The Company also plans to undertake an aggressive promotional program including attendance/presentation at exploration-mining conventions, with the objective to show exploration results to attract potential funding partners.

The Chile-Miocene project will be maintained as it currently is and promoted to potential funding partners. It is assumed that some new concessions will be acquired over highly prospective ground already defined during the regional exploration program carried out with Newmont Ventures within the Macara 2500 km^2 AOI (Newmont having terminated the Strategic Alliance last year, the Company is free to use the data and have no further obligation to Newmont).

In addition to generative work, the Company will seek to sign agreements with partner(s) to drill the Vetas Grandes (epithermal Au-Ag project 20 km to the southwest of the Loma Larga (formerly called Quimsacocha) deposit), Caña Brava (epithermal Au-Ag with possible Cu-Au porphyry at depth in SW Ecuador) and Bella Maria (Au project adjacent to Odin Mining' Greater Cangrejos) projects. Should the Company be successful in attracting partners for these projects, the programs would typically include a 6-month period to carry out an Environmental Impact Study (EIS), a social license consultation process and water permitting followed by a 12-month, 7500m drilling program. It is assumed that after drilling is completed, partner(s) earning in would take over management of the projects or abandon them. Cornerstone would be operator of the project(s) at least until a partner acquires a majority interest.

ECUADOR

Cascabel and La Encrucijada

On April 10, 2012, the Company and SolGold Plc ("SolGold") announced that they had signed a binding letter of intent ("LOI") outlining the terms of an option arrangement for the Cascabel property. On July 24, 2012 the Company and SolGold signed the definitive agreement and on February 19, 2013, the Company announced re-negotiated terms of the agreement with SolGold. The agreement was further amended effective February 24, 2014 (see News release dated December 16, 2013 for a summary of the agreed amendments, which were later formalized on February 24, 2014 and filed on Sedar on February 25, 2014).

Under the new agreement:

-SolGold immediately subscribed for Cornerstone shares at the higher of $0.05 cents a share or a 7-day volume weighted average price ("VWAP") for a subscription amount of $200,000 and was issued a 20% interest in ENSA.

-In April 2013 SolGold acquired a further 10% interest giving it a direct 30% interest in ENSA by subscribing a further $250,000 of Cornerstone shares at the higher of $0.05 cents a share or 7-day VWAP.

-In August 2013, SolGold elected to make a further placement in Cornerstone of $500,000 at $0.065 per share (the higher of $0.05 cents or 7-day VWAP) on the issuance of the environmental licence to allow drilling to occur at Cascabel. SolGold received an additional 20% interest in ENSA taking SolGold's position to 50% of ENSA.

- On February 25, 2014, the Company announced it had been notified by SolGold of its election to increase its ownership in ENSA to 85%. The Company received $250,000 as a private placement and issued 2,500,000 common shares to SolGold. The Company also received 488,560 common shares of SolGold, representing $100,000 as per the agreed upon terms of the agreement.

-SolGold will finance Cornerstone's 15% interest in the project to completion of a feasibility study on SolGold's schedule and budget. If Cornerstone fails to fund its proportionate share of ongoing expenditures following completion of the feasibility study and its interest is diluted below 10% such interest will be converted to a 0.5% Net Smelter Return ("NSR"). SolGold may buy out this and other royalties on Cascabel for payments of US$7.5 million ($3.5 million to buy out Cornerstone's 0.5% NSR and $4 million to buy out an underlying 2% NSR to a 3rd party). SolGold may recover Cornerstone's financed costs to completion of the feasibility study study from 90% of Cornerstone's share of Cascabel project cash flows.

The most significant holes drilled to date at Cascabel are as follows:

Drill Hole CSD-13-005

Hole CSD-13-005 at the Alpala porphyry target is generally considered to be the discovery hole at Cascabel. The following highly significant intersections were generated:

> **1306m grading 0.62% Cu and 0.54 g/t Au (1.05% Copper equivalent (CuEq)), from 24m;including 672m grading 0.93% Cu and 0.91 g/t Au (1.65% CuEq) from 658m;or 552m grading 1.03% Cu and 1.05 g/t Au (1.86% CuEq) from 778m; or**
> **an even higher grade interval of 258m grading 1.27% Cu and 1.40 g/t Au (3.59% CuEq) from 1052m depth.**

Drill hole CSD-14-009

Drill hole CSD-14-009 ("Hole 9") total downhole interval extends over 1 kilometre and remains open at depth. A bulk intersection of 1327m grading 0.57% copper and 0.74 g/t gold for 1.15% CuEq from 430m.

> **This intersection includes 1088m grading 0.66% copper and 0.89 g/t gold for 1.36%** CuEq **from 650m, or 772m grading 0.80% copper and 1.19 g/t gold for 1.51% CuEq from 710m**

Drill hole CSD-15-012

CSD-15-012 ("Hole 12") final assay results from high grade porphyry copper gold mineralization return intersection of:

- **1312m @ 0.67 % Cu, 0.63 g/t Au, for 1.17 % CuEq, including:**
  - **1002m @ 0.76 % Cu, 0.77 g/t Au, for 1.37 % CuEq, or**
  - **576m @ 1.03 % Cu, 1.19 g/t Au, for 1.97 % CuEq**

Drill Hole CSD-15-014

Drill Hole CSD-15-014 ("Hole 14"), testing the northeastern extensions of the Alpala Central deposit, returned the following intersections:

- **768m @ 0.50 % copper and 0.45 g/t gold (0.86 % CuEq*), including**
- **476m @ 0.63 % copper and 0.65 g/t gold (1.14 % CuEq), or**

222m @ 0.83 % copper and 1.08 g/t gold (1.68 % CuEq).

Drill Hole CSD-15-016

Drill Hole CSD-16-014 ("Hole 16") returned another high grade intersection from the Alpala deposit of 1145.6m @ 0.63% Copper and 0.78 g/t Gold (1.25% CuEq) from 516m, including 856.0m @ 0.80% Copper and 1.04 g/t Gold (1.62% CuEq) from 548m.

La Encrucijada was part of the same earn-in agreement with SolGold. Earlier prospecting work carried out by the Company had confirmed results from previous property owners, which indicated good potential for shallow epithermal gold-silver mineralization and porphyry gold-copper mineralization at depth. No significant work was done on the property during the year, and ENSA relinquished the property prior to March 31, 2016 in order to concentrate on Cascabel.

Shyri NW Concession (Vetas Grandes Prospect, - Gold/Silver - 100% Cornerstone, available for option)

The Company believes its 100% owned "Shyri NW" concession, the site of the **Vetas Grandes** prospect, has the potential to host a significant epithermal style gold-silver deposit. The Company has retained a local consultant to prepare a stakeholder map and action plan to carry out community consultations and obtain environmental approvals required to commence Phase 1 drilling at Vetas Grandes. Environmental consultations and drilling will not begin until the Company can locate a suitable partner to fund the activities.

Caña Brava - Gold/Copper - (Available for option. Cornerstone has the right to earn 100%)

On February 26 2015, the Company announced results from prospecting and geological mapping surveys carried out during 2014 on its 100% owned Caña Brava property located in south-central Ecuador. The surveys identified (1) two significant porphyry Cu-Au targets well defined by coincident geological, geochemical and ground magnetic anomalies, (2) an intermediate sulphidation, higher grade, epithermal Au-Ag-Cu veins-breccia system mapped on the northern margin of the porphyry targets, and (3) a high sulphidation epithermal Au-Ag system recognized in the northeast corner of the property. Subsequently, a trenching program was completed (20 trenches, 599 metres, 301 channel samples), spectrometry (Terraspec) work carried out on soil samples (552), rock chips and channel samples (706) and a Phase 1 drill program has been prepared. The Company is seeking a partner to fund more advanced exploration programs on the property.

The Company has the right to earn a 100% interest in the Caña Brava project in return for cash option payments each 6 months, starting at $15,000 and increasing by $5,000 increments to $ 40,000 at month 42 and then continuing at that level until the Company decides to exercise the option by making a final balloon payment of $350,000. The $350,000 balloon payment may be made early, and the option exercised at any time, in which case the remaining semestral payments in the schedule do not have to be made (all amounts are US$). The Company made the first option payment on signing the option contract, and then declared force majeure due to the 2008 Mining Mandate (Moratorium) in Ecuador and the recovery of the concession title during a long appeal process. Force majeure was lifted in 2014 due to recent resumption of limited exploration activities by the Company at Caña Brava, at which time the option payments resumed again.

Bella Maria – Gold (100% Cornerstone, available for option)

On May 11, 2012, the Company announced that it has received authorization to resume activities on the Bella Maria project (adjacent to Odin Mining's Greater Cangrejos property) and provided a summary of results for exploration work carried out prior to the April 2008 Mining Moratorium. Initial results indicate that the property has excellent potential for hosting significant gold and copper mineralization. Stream sediment samples collected across the property are exceptionally anomalous in gold, and a large coincident gold- and copper-in-soil anomaly accompanied by porphyry style mineralization has been identified in the central part of the property. Seven mineralized prospects have been identified and a Phase 1 drilling program designed.

On October 2, 2014 the Company announced that (1) systematic exploration programs carried out in 2014 confirm previously defined extensive gold-copper-molybdenum in-soil anomalies, and (2) three new prospective areas have been defined for copper-gold mineralization.

ENAMI Definitive Agreement
On June 14, 2016, the Company announced that its Ecuadorean subsidiary, Cornerstone Ecuador S.A. ("CESA"), had signed a definitive agreement (the "Agreement") with Ecuador's State Mining Company, *Empresa Nacional Minera Empresa Pública* ("ENAMI"), replacing the letter of intent announced April 14, 2015, and creating a structure to jointly prospect and explore for mineral deposits in Ecuador.

In a First Phase, CESA will identify, at its own cost and risk, geologically prospective areas in parts of Ecuador ("Areas of Interest" or "AOIs"), and identify them to ENAMI, which will make application to the Ministry of Mining ("MM") for a concession or concessions covering such areas (which concession will be granted based on the plans, policies and guidelines of MM for the mining sector). Although ENAMI is a state enterprise, the granting of mineral concessions in Ecuador is within the exclusive jurisdiction of MM, which sets its own policies with regard to the timing of opening certain areas of the country to exploration and to whom mineral concessions will be granted, as a result of which there is no guarantee that concessions requested by ENAMI for joint exploration with CESA & Partner will be granted. Once a concession has been granted, ENAMI and CESA will form a specific purpose corporation (the "SPC"). ENAMI will transfer the concession to the SPC as a capital contribution in return for a 16% shareholding in the SPC. CESA, employing its project generator business model, and a funding partner who will earn a majority interest in the projects (collectively, "CESA & Partner"), the exact percentage to be negotiated with CESA, will prospect the concession to identify the most prospective parts. CESA & Partner will have a collective 84% shareholding.

The First Phase will be subdivided into: (i) Prospecting, with committed expenditures of $5 per hectare within the AOI (e.g., $100,000 per 20,000 hectares), (ii) Initial Exploration (up to 4 years including 18 months of prospecting), with optional expenditures of an additional $600,000; (iii) Advanced Exploration, including drilling (up to 4 years), with optional expenditures of an additional $4.3 million. Expenditures may be accelerated, amounts in excess in any period will be credited to the next succeeding periods, and shortfalls may be paid in cash to maintain the option in good standing. CESA & Partner may abandon their option at any time, except during the prospecting portion of the First Phase where the $5 per hectare expenditures are committed, delivering all technical information to ENAMI and arranging for a re-conveyance of the respective concessions to ENAMI from the SPC. ENAMI will have a "free" carried interest through to completion of a Bankable Feasibility Study, or "BFS".

In a Second Phase, CESA & Partner will fund the SPC to commence Economic Evaluation (e.g., scoping, pre-feasibility and/or feasibility studies) (up to 2 years, renewable for up to an additional 2 years), incurring optional expenditures of an additional $10 million. Total expenditures on each concession (which can by law cover an area up to 5,000 hectares) through completion of a BFS could total a minimum of $15 million - i.e., $100,000 or more in prospecting (assuming an AOI of 20,000 hectares), $600,000 in Initial Exploration, $4.3 million in Advanced Exploration, plus $10 million during Economic Evaluation. In the event CESA & Partner make a Production Decision to construct a mine/mill and related infrastructure, ENAMI will have the option of financing the totality of its own participating interest, or electing to have CESA & Partner finance the totality of ENAMI's interest (including sustaining capital after commercial production is achieved) at cost of funds plus an agreed financing arrangement fee.

CHILE

Miocene – Gold - (Available for option. Cornerstone has the right to earn 100%)

On July 3rd, 2014, the Company announced that it had further amended the Miocene (Chile) Property Agreement (see also news releases dated February 22, 2011 and May 8, 2014), 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 $2.5 million in exploration expenditures in annual increments by April 28, 2019 (all amounts are CAD$).

On November 4, 2014 the Company announced the re-start of work at Miocene during the austral summer. Five prospective areas defined by previous compilation and exploration work within the Miocene property were the focus of the recent exploration program: El Chaco, Zona Norte, Llano Blanco, Cerro Bayos Norte and Cerro Bayos Sur (Figure 3). Semi-detailed geological mapping (scale 1:5000) and systematic rock geochemical sampling were carried out in these five areas. 390 rock samples were collected, assayed for precious metals (gold and silver) and a suite of base metals and epithermal pathfinder elements. Spectrometry work (ASD TerraSpec) was carried out on all rock specimens (478 samples) collected during the 2011 to 2014 field programs.

Two sub-parallel NW-SE oriented alteration / anomalous trends affect the volcanic units present on the property. The Cerro Bayos (CB) alteration zone covers an area of approximately 9km by 3km and is located in the SW extension of the Atlas Gold, Atlas Silver and the Pampa epithermal prospects. Alteration minerals (native sulphur, predominant alunite, vuggy and massive silica and some silica-clay in the peripheral parts) and 3D distribution mapped along this trend are typical of high sulphidation epithermal system, centered on the highest part of Cerro Bayos Norte (CBN), with the top of the paleo-phreatic zone estimated to be at approximately 4260 masl. Similar alteration patterns are present at Cerro Bayos Sur (CBS) where the top of the paleo-phreatic zone at this location is estimated at 4150 masl. High temperature alunite and high crystallinity kaolinite minerals are centered on the CBN and CBS zones, with some minor presence within the Llano Blanco trend to the south. The aerial extent of the prospective CBN and CBS alteration zones are at least 5 km by 3 km and 4 Km by 2.5 km but can possibly be significantly larger as they are partly covered by a thin veneer of relatively fresh younger volcanic rocks and gravels.

Rock geochemical anomalies defined on the Miocene property are very similar in distribution and intensities to anomalies defined during the regional prospecting program in the vicinity of the Atlas Gold and Silver prospects located to the NW. As expected in the upper part of this epithermal environment, the gold content is systematically low. Strong arsenic and mercury anomalies are present at El Chaco, CBN and CBS and to a minor degree at Azufre and Silice Masiva zones. Barium anomalies are present at CBN, Llano Blanco Norte and Cerro Azufre. Molybdenum is anomalous at CBN, to the NE of CBN and to a minor degree at CBS, Llano Blanco Norte and Silice Masiva zones. A large and strong copper anomaly is present at CBN and some less intense but widespread anomalies at Llano Blanco Norte and Cerro Azufre sectors. Sulphur anomalies are present at CBN, CBS, Llano Blanco Norte and Cerro Azufre

One of the Miocene concessions lies adjacent to Mirasol Resources Ltd.'s (TSXV-MRZ) Titan project, where recent trench channel sampling has returned anomalous gold of 194 m at 0.41 g/t gold and higher grade intervals including 31 m at 1.36 g/t gold and 10 m at 2.13 g/t gold. Mirasol interprets the newly discovered mineralization as a high-sulphidation epithermal gold system sitting above a postulated mineralized intrusion at depth. Recently completed ground geophysical surveys comprising high resolution magnetics and induced polarization support the aforementioned deposit model(s). The Company holds a strong land position in this part of the Miocene Belt (>31,000 hectares), including approximately 16,000 hectares in the same district as the Titan project. The Company is encouraged by early results from Mirasol's Titan project, which serve to support the conceptual model utilized in acquiring the Miocene concessions. The Company continues to seek a partner to help advance exploration on this exciting early-stage project.

Qualified Person

The technical information contained in this exploration update has been reviewed and approved by Yvan Crepeau, P.Geo., Vice President Exploration of the Company. Mr. Crepeau is also president of Cornerstone Ecuador S.A. and Minera Cornerstone Chile Limitada (Ecuadorian and Chilean projects), and a Qualified Person in accordance with National Instrument 43-101.

Investor Relations Activities

The Company continues to work at broadening its investor base through strategic marketing and on-going investor communications through timely news releases and regular targeted updates. Due to the downturn in the equity markets for exploration companies, the Company will continue to handle most of its investor relations activities in-house.

Risks and Uncertainties

The Company is principally involved in mineral exploration, which is an inherently high-risk activity. Exploration is also capital intensive and the Company has no sources of funding other than financing arrangements with other mining and exploration companies and equity financing. Only the skills of management and staff in mineral exploration and exploration financing serve to mitigate these risks. The ability of the Company to continue operations into the future is dependent upon continuing to obtain favourable results from its exploration activities, which will affect its ability to attract partners and to raise financing. The participation of partners is very important to the future success of the Company.

The Company has a simple business model, one which is as low risk as possible in such a high risk business as mineral exploration: to generate diversified exploration projects at low cost to the Company, to attract partners to finance further exploration and to be the operator on the majority of these projects which allows the Company to transfer personnel and administration costs to the project on a cost plus basis, thereby maintaining a lower burn rate. The more projects that can be generated and the longer the company can obtain financing the better its chances for achieving success. The Cascabel project in Ecuador is an example of the Company's success in generating prospects with excellent potential for large discoveries.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects. Exploration activity is also dependent on the laws of local governments, including aboriginal governing bodies, which may change from time to time, and may have an effect on the Company's exploration programs.

The Company is subject to political risk, operating in foreign jurisdictions. The Government of Ecuador, which on March 5, 2012 signed its first major mining development agreement for the Mirador copper project, is increasingly welcoming environmentally friendly, socially responsible, sustainable mining development and the Company is positioning itself to be a major player in Ecuador.

Selected Financial Information

The following information has been derived from the three most recently completed annual financial statements

As at December 31,	2015	2014	2013
	$	$	$
Net loss	(5,141,343)	(2,068,776)	(1,684,597)
Operating loss	(2,348,250)	(1,498,026)	(864,915)
Write-down of exploration and evaluation assets included in net loss	(2,793,093)	(570,750)	(819,682)
Loss per share - basic and diluted	(0.03)	(0.01)	(0.01)

Summary of Quarterly Results

The following information has been derived from the eight most recently completed quarters, all presented under IFRS.

	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
	$	$	$	$
Net loss	(830,145)	(313,750)	(642,378)	(2,815,566)
Loss per share - Basic and diluted	-	-	-	(0.02)

	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
	$	$	$	$
Net loss	(866,220)	(817,180)	(1,084,629)	(357,654)
Loss per share - Basic and diluted	-	-	(0.01)	(0.00)

Management's Responsibility for Financial Statements
The Board of Directors carries out its responsibility for the consolidated financial statements primarily through the audit committee which is composed of a majority of independent, non-executive directors who meet periodically with management and auditors to review financial reporting and internal control matters.

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

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

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

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

Contingencies
In 2015 the Company received two claims instituted by individuals, the first with respect to an exploration contract with a prospector in Newfoundland (which ended up in arbitration), and the second an employment matter (a claim in Cuenca, Ecuador for severance by a consultant claiming he was an employee). On December 16, 2015 a decision in favour of the Company was rendered in the arbitration in Newfoundland. In the Ecuador employment claim, the plaintiff won a US$36,000 trial judgment that the Company appealed. The Company received notice November 19, 2015 that our appeal was granted and the Company has no liability. The plaintiff filed a further and final appeal to the Supreme Court in Quito. In April 2016, the Supreme Court in Quito rendered a definitive decision in favor of Cornerstone.

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

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

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

Other

The Company’s shares are traded on the TSX Venture Exchange under the stock symbol CGP as well as the over the counter market in the USA under the symbol CTNXF. The Company is also listed on the Frankfurt and Berlin Stock Exchanges under the stock symbol GWN.

Financial Statements and press releases issued by the Company, including those issued during the quarter ended June 30, 2016, and other information concerning the Company are archived at the Company website www.cornerstoneresources.com. Regulatory filings are also available through www.sedar.com.