



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED AUGUST 31, 2017 AND 2016

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for the nine months ended August 31, 2017 has been prepared as of October 30, 2017. It should be read in conjunction with the condensed interim consolidated financial statement of Cornerstone Metals Inc. (the "Company") for the nine months ended August 31, 2017 as well as the audited annual consolidated financial statements for the year ended November 30, 2016 and the accompanying MD&A for the year then ended.

The referenced financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

General

Cornerstone was incorporated on June 23, 2006 under the *Business Corporations Act* (British Columbia). The Company is engaged primarily in the business of evaluating, acquiring, exploring, and if warranted, developing natural resource properties. The Company has not realized any revenues from commercial operations to date. The Company is listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "CCC". On September 22, 2017 the Company consolidated its common shares on the basis of one new common shares for every two old common shares issued and outstanding at that time. As at the date of consolidation, the Company had 22,905,694 pre-consolidation common shares outstanding. After the share consolidation, the Company had 11,452,847 post-consolidation common shares issued and outstanding. All references to share and per share amounts have been retroactively restated to reflect the share consolidation.

Recent Highlights

On October 26, 2017 the Company announced the addition of Lawrence Page to its Advisory Board. Mr. Page, Q.C. obtained his law degree from the University of British Columbia in 1964 and was called to the Bar of British Columbia in 1965, where he has practiced in the areas of natural resource law, corporate and securities law to the present date. Through his experience with natural resource companies and, in particular, precious metals development, Mr. Page has established a unique relationship with financiers, geologists and consultants and has been counsel for and a director of companies, which have discovered and developed producing mines in North America.

On October 18, 2017, the Company closed a non-brokered private placement of 7,857,284 units at a price of \$0.14 per unit for gross proceeds of \$1,100,020. Each unit will comprise of one share and one warrant. Each warrant will consist of one common share exercisable at a price of \$0.24 per share for a period of three years.

On September 22, 2017, the Company entered into a Definitive Agreement to acquire a 100% interest in an underlying option agreement on the Carlin Vanadium Project located in Elko County, Nevada. In conjunction with the Agreement, the Company also signed a Net Smelter Returns Royalty Agreement, granting AGEI a 1.5% net smelter return royalty. The closing of the Agreement and the Royalty Agreement are subject to approval by the TSX Venture Exchange. On August 9, 2017, the Company made a cash payment of \$19,058 (US\$15,000) upon execution of the Letter of Intent with respect to the Carlin Vanadium Project.

Mineral Properties

Paul Cowley, P.Geo, Chief Executive Officer of the Company, is the Qualified Person as defined in National Instrument 43-101 responsible for the review of technical information disseminated to the public by the Company, including any technical information in this MD&A.

West Jerome, Arizona

The West Jerome property, near Jerome, Arizona, consists of approximately five square kilometers of claims on the west side of Freeport McMoran patented lands. The property, in a Volcanogenic Massive Sulfide camp, is a high grade, massive sulfide target located 2.4km south of the past-producing United Verde (32 million tons grading 4.4% copper, 1.5 oz/t silver and 0.04 oz/t gold). The West Jerome property has attractive untested TEM geophysical targets.

On February 11, 2015 the Company announced they had entered into a binding option agreement in respect of the grant of an option (the "Option") on the West Jerome project in Yavapai County, Arizona (the "Project") to Lowell Copper Ltd ("Lowell Copper"). Under the terms of the Option, Lowell Copper can acquire up to a 75% interest in the Project in exchange for \$40,000 worth of shares on the first anniversary and annually thereafter, funding work expenditures up to \$2,600,000 and an additional \$15,000 worth of shares subject to the results of a gravity survey to be undertaken on the Project as part of the initial work program.

On August 5, 2015 the "Company announced that Lowell Copper had terminated the option agreement announced February 11, 2015 on Cornerstone's West Jerome project. Lowell Copper conducted 2 gravity surveys by Zonge International Inc. on the Project, which generated two anomalies, one being open-ended. Zonge recommended further work to better define the open-ended anomaly, however due to market conditions and other priorities, Lowell Copper has preferred not to proceed further with the Project. As a result, Cornerstone remains with a 100% interest in the property, now supported by gravity anomalies.

Carlin Vanadium Project

On August 9, 2017, the Company made a cash payment of \$19,058 (US\$15,000) upon execution of the Letter of Intent.

On September 22, 2017, the Company entered into a Definitive Agreement (the "Agreement"), with Americas Gold Exploration Inc. ("AGEI"), a private Nevada corporation to acquire a 100% interest in an underlying option agreement on the Carlin Vanadium Project (the "Property"). The Property is located in Elko County, Nevada and is comprised of 72 contiguous unpatented mineral claims totaling 461 hectares. AGEI currently holds an option to acquire 100% of the Property from a third party owner.

In conjunction with the Agreement, the Company also signed a Net Smelter Returns Royalty Agreement ("Royalty Agreement") granting AGEI a 1.5% net smelter return royalty ("NSR Royalty"), payable at such time as commercial production commences on the Project. Any PEA Annual Payments paid to AGEI prior commencement of commercial production on the Property will be credited against any payments due under the NSR Royalty.

The closing of the Agreement and Royalty Agreement are subject to approval by the TSX Venture Exchange.

Lone Mountain, New Mexico

During the year ended November 30, 2015 the Company terminated its Part 4 exploration level permit and received proceeds of US\$248,275 (CAD \$312,533) plus interest of US\$ 2,341 (CAD \$2,950) that was held as a reclamation bond and realized foreign exchange gain of \$54,496. The Company did not make the state mineral leases payments and did not renew the BLM claims and therefore wrote off \$259,792 of previously capitalized costs.

Summary of Quarterly Results

The following is selected financial data for the last eight quarters ending with the most recently completed quarter, being the three months ended August 31, 2017.

	THREE MONTHS ENDED			
	August 31, 2017 (\$)	May 31, 2017 (\$)	February 28, 2017 (\$)	November 30, 2016 (\$)
Total Revenue	Nil	Nil	Nil	Nil
Acquisition and exploration costs	19,496	Nil	Nil	Nil
Net loss	(51,859)	(38,014)	(28,700)	(53,424)
Net loss per share ⁽¹⁾	(0.00)	(0.00)	(0.00)	(0.00)

	THREE MONTHS ENDED			
	August 31, 2016 (\$)	May 31, 2016 (\$)	February 29, 2016 (\$)	November 30, 2015 (\$)
Total Revenue	Nil	Nil	Nil	Nil
Acquisition and exploration costs	19,922	Nil	Nil	Nil
Net loss	(19,880)	(37,446)	(21,942)	(289,112)
Net loss per share ⁽¹⁾	(0.00)	(0.00)	(0.00)	(0.02)

⁽¹⁾ The basic and fully diluted calculations result in the same value due to the anti-dilutive effect of outstanding stock options and warrants for all quarters.

During the quarter-ended November 30, 2015, the Company recorded a write-down of \$259,792 of mineral properties related to the Lone Mountain property.

Results of Operations

Three months ended August 31 2017

The Company recorded a net loss of \$51,859 (\$0.00 per share) for the three months ended August 31, 2017, compared to a net loss of \$19,880 (\$0.00 per share) for the three months ended August 31, 2016.

	2017 (\$)	2016 (\$)
General and administrative expenses	(49,151)	(19,563)
Foreign exchange gain (loss)	(2,714)	(348)
Interest income	6	31
Net loss for the period	(51,859)	(19,880)

The most significant general and administrative variances were with respect to the following:

Consulting fees of \$28,400 (2016 - \$9,600) increased due to an increased effort of Management to explore potential project opportunities and meetings with potential investors and the hiring of an additional consultant in the period.

Travel and accommodation of \$3,672 (2016 - \$nil) increased due to travel by the CEO for meetings with potential investors.

Nine months ended August 31 2017

The Company recorded a net loss of \$118,573 (\$0.00 per share) for the nine months ended August 31, 2017, compared to a net loss of \$59,728 (\$0.00 per share) for the nine months ended August 31, 2016.

	2017	2016
	(\$)	(\$)
General and administrative expenses	(114,496)	(73,601)
Stock-based compensation	(3,001)	-
Foreign exchange loss	(1,120)	(6,137)
Interest income	44	130
Net loss for the period	(118,573)	(79,608)

The most significant general and administrative variances were with respect to the following:

Consulting fees of \$59,035 (2016 - \$27,400) increased due to an increased effort of Management to explore potential project opportunities and meetings with potential investors and the hiring of an additional consultant in the period.

Travel and accommodation of \$5,578 (2016 - \$730) increased due to travel by the CEO for meetings with potential investors.

Stock-based compensation of \$3,001 (2016 - \$nil) is the valuation of 50,000 immediately vested stock options granted on April 4, 2017 to a consultant with an exercise price of \$0.20 and expiry date of 5 years from the grant date.

Financing Activities

On October 18, 2017, the Company closed a non-brokered private placement of 7,857,284 units at a price of \$0.14 per unit for gross proceeds of \$1,100,020. Each unit will comprise of one share and one warrant. Each warrant will consist of one common share exercisable at a price of \$0.24 per share for a period of three years.

During the nine months ended August 31, 2017 a total of 11,250 warrants with an exercise price of \$0.10 per share were exercised into 11,250 common shares for gross proceeds of \$1,125.

There were no financing activities during the three months ended August 31, 2016.

Liquidity and Capital Resources

The Company's operations consumed \$109,188 of cash during the nine months ended August 31, 2017 (August 31, 2016 – \$79,608) before non-cash working capital items. The cash requirement was funded mainly from the cash balance as at November 30, 2016.

The Company's aggregate operating, investing, and financing activities during the nine months ended August 31, 2017 resulted in a decrease in its cash balance from \$146,617 at November 30, 2016 to \$13,539 at August 31, 2017. The Company had a working capital at August 31, 2017 of \$23,141 (November 30, 2016 – \$111,312). The Company has no long-term indebtedness.

None of the Company's mineral properties have been put into commercial production and, as such, the Company has no operating revenues or cash flows. The Company's capital resources are largely determined by the strength of the junior resource capital markets and by the status of the Company's projects in relation to these markets and the Company's ability to compete for investor support of its projects. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the future.

Capital Expenditures

During the nine months ended August 31, 2017 the Company incurred \$19,496 in mineral property options and deferred exploration expenditures (2016 - \$19,922).

Transactions with Related Parties

The Company's related parties consist of the Company's directors, officers and companies associated with them including the following:

- Buena Tierra Development Ltd., a company owned by Paul Cowley, the President, Chief Executive Officer and a director of the Company

Compensation paid or payable to the directors, the Chief Executive Officer and the Chief Financial Officer for services provided during the three and nine months ended August 31, 2017 and 2016 was as follows:

	Three months ended August 31		Nine months ended August 31	
	2017	2016	2017	2016
	\$	\$	\$	\$
Accounting fees	840	800	4,320	5,040
Consulting fees ⁽¹⁾	14,400	9,600	36,800	26,400

⁽¹⁾ The charge includes consulting fees paid to Buena Tierra Development Ltd.

As at August 31, 2017, accounts payable and accrued liabilities include an amount of \$32,340 (November 30, 2016 – \$20,160) due to officers of the Company and/or companies controlled by officers of the Company.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, other receivables, marketable securities, and accounts payable and accrued liabilities. Cash and cash equivalents and other receivables are designated as loans and receivables, which are measured at amortized cost. Marketable securities are designated as available-for-sale, which are measured at fair value through other comprehensive income or loss. Accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost.

Off-balance Sheet Arrangements

The Company has not entered into any material off-balance sheet arrangements.

Outstanding Share Data

The following table discloses the Company's share capital structure as at the date of this MD&A.

Authorized share capital: Unlimited number of Common Shares

Issued and outstanding common shares: 19,310,131

Type of Security	Number	Exercise Price	Expiry Date
Stock options	750,000	\$0.10	October 12, 2021
Stock options	50,000	\$0.20	April 10, 2022
Stock options	645,000	\$0.30	October 25, 2022
Share purchase warrants	7,857,284	\$0.24	October 18, 2020
Fully Diluted	28,612,415		

Disclosure Controls and Procedures

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim consolidated financial statements for the nine months ended August 31, 2017 and this accompanying MD&A (together, the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

Additional Disclosure for Venture Issuers without Significant Revenue

The Company provides disclosure related to capitalized or expensed exploration and development costs in the notes to the financial statements and disclosure related to general and administration expenses in the statements of operations and comprehensive loss. The Company has no expensed research and development costs nor deferred development costs.

Forward-Looking Statements

This MD&A contains forward-looking statements. All statements, other than statements of historical fact, constitute “forward-looking statements” and include any information that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future including the Company’s strategy, plans or future financial or operating performance and other statements that express management’s expectations or estimates of future performance.

Forward-looking statements are generally identifiable by the use of the words “may”, “will”, “should”, “continue”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “plan” or “project” or the negative of these words or other variations on these words or comparable terminology. All such forward-looking information and statements are based on certain assumptions and analyses made by the Company’s management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. These statements, however, are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed, implied by or projected in the forward-looking information or statements. Important factors that could cause actual results to differ from these forward-looking statements include but are not limited to: risks related to the exploration and potential development of the Company’s projects, risks related to international operations, the actual results of current exploration activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, future prices of precious and base metals, as well as those factors discussed in the sections relating to risk factors of the Company set out in this MD&A.

There can be no assurance that any forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader should not place any undue reliance on forward-looking information or statements. Except as required by law, the Company does not intend to revise or update these forward-looking statements after the date of this document or to revise them to reflect the occurrence of future unanticipated events.

Other Information

Additional information related to the Company is available on SEDAR at www.sedar.com and on the Company’s website, www.cornerstonemetals.ca.