

Condensed Interim Consolidated Financial Statements of

Cornerstone Metals Inc.

For the three and nine months ended August 31, 2017 and 2016

(Unaudited - Expressed in Canadian dollars)

CORNERSTONE METALS INC.

NOTICE OF NO AUDITOR REVIEW

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

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

Cornerstone Metals Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

	Note	August 31, 2017	November 30, 2016
		\$	\$
ASSETS			
Current			
Cash		13,539	160,156
GST and other receivables		2,067	610
Marketable securities	5	850	1,360
Prepays	6	19,058	-
		35,514	162,126
Reclamation bonds	6	9,000	9,000
Mineral properties	6	109,622	90,126
		154,136	261,252
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8	58,655	50,814
SHAREHOLDERS' EQUITY			
Share capital	7	6,390,164	6,389,039
Contributed surplus	7	1,157,465	1,154,464
Accumulated other comprehensive loss	5	(1,360)	(850)
Deficit		(7,450,788)	(7,332,215)
		95,481	210,438
		154,136	261,252

Nature of operations and going concern (Note 1)
Subsequent events (Notes 7 and 10)

Approved on behalf of the Board:

"Fred Sveinson"

Director – Fred Sveinson

"Paul S. Cowley"

Director – Paul S. Cowley

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Cornerstone Metals Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended August 31, 2017 and 2016
(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended August 31		Nine months ended August 31	
		2017	2016	2017	2016
		\$	\$	\$	\$
Audit, accounting and legal	8	10,996	7,428	27,436	27,922
Consulting fees	8	28,400	9,600	59,035	27,400
Foreign exchange loss		4,349	348	2,755	6,137
Office expenses		1,135	294	2,406	2,535
Stock-based compensation		-	-	3,001	-
Transfer agent and filing fees		3,313	2,241	18,406	15,014
Travel and accommodation		3,672	-	5,578	730
Loss before other items		(51,865)	(19,911)	(118,617)	(79,738)
Other items					
Interest income		6	31	44	130
Net loss for the period		(51,859)	(19,880)	(118,573)	(79,608)
Other comprehensive income					
Unrealized gain on marketable securities	5	(255)	(85)	(510)	(85)
Comprehensive loss for the period		(52,114)	(19,965)	(119,083)	(79,693)
Basic and diluted loss per common share		(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares outstanding*		11,452,847	11,441,597	11,451,410	11,441,597

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Cornerstone Metals Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended August 31, 2017 and 2016
(Unaudited - Expressed in Canadian dollars)

	2017	2016
	\$	\$
Cash flows provided by (used in):		
Operating activities		
Net loss for the period	(118,573)	(79,608)
Adjustments for items not affecting cash:		
Share-based payments	3,001	-
	(115,572)	(79,608)
Net changes in non-cash working capital items:		
GST and other receivables	(1,457)	(920)
Prepaid expenses	(19,058)	978
Accounts payable and accrued liabilities	7,841	(10,368)
	(128,246)	(89,918)
Investing activities		
Mineral property options and deferred exploration expenditures	(19,496)	(19,922)
Financing activity		
Proceeds from exercise of warrants	1,125	-
	-	-
Decrease in cash during the period	(146,617)	(109,840)
Cash, beginning of period	160,156	280,993
Cash, end of period	13,539	171,153

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Cornerstone Metals Inc.
Condensed Consolidated Interim Statements of Changes in Equity
For the nine months ended August 31, 2017 and 2016
(Unaudited - Expressed in Canadian dollars)

	Common shares number	Share Capital \$	Contributed surplus \$	Deficit \$	AOCI \$	Total \$
Balance – November 30, 2015	11,441,597	6,389,039	1,114,718	(7,199,523)	(680)	303,554
Net loss and comprehensive loss	-	-	-	(79,608)	(85)	(79,693)
Balance – August 31, 2016	11,441,597	6,389,039	1,114,718	(7,279,131)	(765)	223,861
Share-based compensation	-	-	39,746	-	-	39,746
Net loss and comprehensive loss	-	-	-	(53,084)	(85)	(53,169)
Balance – November 30, 2016	11,441,597	6,389,039	1,154,464	(7,332,215)	(850)	210,438
Shares issued for:						
cash pursuant to exercise of warrants	11,250	1,125	-	-	-	1,125
Share-based compensation	-	-	3,001	-	-	3,001
Net loss and comprehensive loss	-	-	-	(118,573)	(510)	(119,083)
Balance – August 31, 2017	11,452,847	6,390,164	1,157,465	(7,450,788)	(1,360)	95,481

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Cornerstone Metals Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended August 31, 2017 and 2016
(Unaudited- Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Cornerstone Metals Inc. (“the Company”) is in the business of the acquisition, exploration and evaluation of mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company is listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “CCC”. The Company has an interest in a property located in Arizona, USA. The Company’s corporate head office is located at Suite 880 – 580 Hornby Street, Vancouver, British Columbia, Canada.

The recoverability of amounts shown as mineral properties is dependent upon the conversion of mineral resources to economically recoverable reserves, the Company’s ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of the properties.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At August 31, 2017, the Company had not yet achieved profitable operations, had an accumulated deficit of \$7,450,788 since inception, a working capital deficiency of \$23,141 and expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to develop its mineral properties and to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended November 30, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended November 30, 2016.

These condensed interim consolidated financial statements were approved by the board of directors on October 30, 2017.

Basis of presentation

The condensed interim consolidated annual financial statements have been prepared on a historical cost basis, except for financial instruments classified as available for sale, which are stated at their fair value.

Cornerstone Metals Inc.
Notes to the Condensed Interim Consolidated Financial Statements
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(Unaudited- Expressed in Canadian dollars)

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new or revised standards have been issued but are not yet effective. The Company has initially assessed that there will be no material reporting changes as a result of adopting these new or revised standards.

IAS 7 Statement of Cash Flows

In January 2016, the IASB amended IAS 7, "Statement of Cash Flows". The amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment will be mandatory for reporting periods beginning on or after January 1, 2017.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on financial liabilities and derecognition of financial instruments. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16 Leases

IFRS 16 Leases replaces IAS 17 – Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019, with earlier adoption permitted.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company uses the same accounting estimates and judgements as in the annual consolidated financial statements for the year ended November 30, 2016.

5. MARKETABLE SECURITIES

As at August 31, 2017 and November 30, 2016, the Company holds 17,000 shares of GB Minerals Ltd. ("GBL") (previously Plains Creek Phosphate Corporation) which it received pursuant to previous assignment and option agreements. The shares have been classified as available-for-sale financial instruments and, as a result, are measured at fair market value each reporting period with any change in fair value recognized through other comprehensive income (loss).

	August 31, 2017		November 30, 2016	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Shares of GB Minerals Ltd	850	2,210	1,530	2,210

During the nine months ended August 31, 2017, the Company recorded an unrealized loss of \$510 (August 31, 2016 – unrealized loss of \$85) in other comprehensive loss or income.

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6. MINERAL PROPERTIES

West Jerome, USA

On August 22, 2013, the Company acquired all of the issued and outstanding shares of CO USA. The acquisition included an undivided 100% interest in West Jerome located in Arizona.

	\$
Balance as at November 30, 2015	70,204
Permitting	19,922
Balance as at November 30, 2016	90,126
Permitting	19,496
Balance as at August 31, 2017	109,622

Carlin Vanadium Project

During the nine months ended August 31, 2017, the Company made a cash pre-payment of \$19,058 (US\$15,000) upon execution of the Letter of Intent (“LOI”) dated August 3, 2017.

Other

As at August 31, 2017 and November 30, 2016, the Company holds a total of \$9,000 in reclamation bonds related to its previously held Spences Bridge prospect.

7. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value

Subsequent to August 31, 2017 the Company consolidated its common shares on the basis of one new common share 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 in these financial statements have been retroactively restated to reflect the share consolidation.

b) Financing:

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 nine months ended August 31, 2016.

c) Options:

The balance of options outstanding and related information for the nine months ended August 31, 2017 is as follows:

	Options Outstanding	Weighted Average Exercise Price Per Share	Weighted Average Life (Years)
Balance, November 30, 2015	185,000	\$0.24	1.70
Issued	750,000	\$0.10	
Balance, November 30, 2016	935,000	\$0.12	3.79
Issued	50,000	\$0.20	
Expired	(185,000)	\$0.24	
Balance, August 31, 2017	800,000	\$0.11	4.15

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During the nine months ended August 31, 2017, the Company granted 50,000 stock options to a consultant. The stock options have an exercise price of \$0.20 per share and a life of 5 years. The options vested immediately upon issuance. The estimated fair value of the share options granted during the nine months ended August 31, 2017 was \$3,001.

The fair value of the options granted during the nine months ended August 31, 2017 is estimated on the date of grant using the Black-Scholes option valuation model with the following weighted average assumptions: Dividend yield – nil; volatility – 150.38%; risk-free interest rate – 2.70%; expected life of options (years) – 5 years; grant date fair value – \$0.03; forfeiture rate – nil.

As at August 31, 2017, the Company had the following options outstanding:

Expiry Date	Exercise Price	Remaining life (Years)	Options outstanding and exercisable
October 11, 2021	\$0.10	4.12	750,000
April 4, 2022	\$0.20	4.61	50,000
			800,000

Subsequent to August 31, 2017 the Company granted a total of 645,000 stock options with an exercise price of \$0.30 and five year term.

d) Warrants:

The balance of warrants outstanding and related information for the nine months ended August 31, 2017 is as follows:

	Warrants Outstanding	Weighted Average Exercise Price (per share)	Weighted Average Life (years)
Balance, November 30, 2015	4,492,330	\$0.12	1.10
Expired	(1,254,830)	\$0.20	
Balance, November 30, 2016	3,237,500	\$0.10	0.35
Exercised	(11,250)	\$0.10	
Expired	(3,226,250)	\$0.10	
Balance, August 31, 2017	-	-	-

8. RELATED PARTY TRANSACTIONS

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	14,400	9,600	36,800	26,400
	15,240	10,400	41,120	31,440

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.

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9. SEGMENTED INFORMATION

The Company's operations are limited to a single industry segment, being the acquisition, exploration and development of mineral properties.

As at August 31, 2017, the Company's operations and assets are located in Canada and the USA. By geographic areas, the Company's losses for the three and nine months ended August 31, 2017 and, 2016 are as follows:

	Three months ended		Nine months ended	
	2017	August 31 2016	2017	August 31 2016
	\$	\$	\$	\$
Canada	51,834	19,782	116,978	78,446
USA	25	98	1,595	1,162
	51,859	19,880	118,573	79,608

By geographic areas, the Company's non-current assets as at August 31, 2017 and November 30, 2016 are as follows:

	August 31, 2017	November 30, 2016
	\$	\$
Canada	9,000	9,000
USA	109,622	90,126
	118,622	99,126

10. SUBSEQUENT EVENT

Subsequent to August 31, 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.