CORNERSTONE
METALS INC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE YEAR ENDED NOVEMBER 30, 2014

The following information, prepared as of March 27, 2015, should be read in conjunction with the consolidated financial statements of Cornerstone Metals Inc. (the "Company" or "Cornerstone") for the year ended November 30, 2014. The referenced consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

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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".

Recent Highlights
On February 23, 2015, the Company announced a non-brokered private placement pursuant to which it will issue up to 5,000,000 units at a price of $0.02 per unit for gross proceeds of up to $100,000. Each unit will consist of one common share and one transferable share purchase warrant. Each warrant will be exercisable to purchase one additional common share, at an exercise price of $0.05 per share, for a period of two years from issuance of the warrants. Securities issued pursuant to the private placement will be subject to a four month hold.

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

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.

<u>Copper One Projects</u>
Effective August 22, 2013, the Company completed the acquisition from Copper One Inc. (the "Vendor") of all of the issued and outstanding shares of Copper One USA Inc. ("Copper One USA"), a private company that held six copper properties in New Mexico and Arizona, with the principal property being the Lone Mountain property located in New Mexico. Additional consideration to be paid by the Company with respect to specific properties is as follows:

i) Lone Mountain, New Mexico

Within 30 days of a Definitive Feasibility Study:

- issue 2,000,000 shares;
- pay $1,000,000 in cash or shares (at the Vendor's discretion); and
- grant to the Vendor a 0.5% NSR capped at $5,000,000, which may be repurchased for $1,000,000, payable in cash or shares (at the Vendor's discretion)), at any time up until the earlier of eight years following the date of the acquisition and the date on which commercial production is achieved.

ii) West Jerome, Arizona

Within 30 days of a Definitive Feasibility Study:

- issue 500,000 shares;
- pay $750,000 in cash or shares (at the Vendor's discretion); and
- grant to the Vendor a 0.5% NSR capped at $4,000,000, which may be repurchased for $800,000, payable in cash or shares (at the Vendor's discretion), at any time up until the earlier of eight years following the date of the acquisition and the date on which commercial production is achieved.

iii) Remaining Four Properties

The Company also acquired the West Safford, Teague Springs, Twin Peaks and Mimbres claims pursuant to certain terms. During the year ended November 30, 2013, the Company allowed the West Safford and Teague Springs claims to lapse. During the year ended November 30, 2014, the Company allowed the Twin Peaks and Mimbres claims to lapse, and the corresponding costs of $23,685 that had been previously capitalized were written off. Therefore as at November 30, 2014 the Company has no interest or obligation relating to these four properties.

Lone Mountain, New Mexico

Lone Mountain is Cornerstone's principal project in the United States. Located near Silver City, New Mexico, the Lone Mountain property is situated in a well-known mining district, 11km southwest of the Santa Rita-Chino mine and 16km northeast of the Tyrone mine; both of these mines are large open-pit copper operations owned by Freeport-McMoRan and both currently produce copper using the SX-EW technology.

Land holdings on the Lone Mountain property consist of two New Mexico State mineral leases and 40 unpatented federal mining claims, comprising 619.17 hectares (1,530 acres). Cornerstone has an undivided 100% interest in the claims and leases. The Company also retains State issued Part 4 exploration level permits for up to 176 drill sites and 3 holes per site for a total of 528 drill holes.

The Lone Mountain property covers a large tonnage porphyry copper system with some 25,500 metres of historic drilling in 56 drill holes. It represents a broadly-explored (drill hole spacing was approximately 250 metres), well-mineralized, porphyry-skarn system with multiple, stacked mineralized targets. Three distinct targets are present; a near-surface zone of copper oxide mineralization, underlain by a mixed copper oxide-chalcocite zone and finally a lower copper-zinc skarn zone. Copper oxide mineralization begins approximately 60 metres below surface and continues to over 250 meters below surface. The combined copper oxide and mixed oxide chalcocite zone grades

from 0.2% to 0.37% copper over significant widths. The copper oxide and mixed oxide-chalcocite zones will be the primary interest of Cornerstone, with the aim to infill and justify a NI43-101 resource as quickly as possible.

The mining target is open in three directions. Drilling in 2012 by Copper One USA intersected 135 meters of 0.36% copper on a portion of the property that had never been tested and extended the known mineralization to the south.

West Jerome, Arizona
The West Jerome property, near Jerome, Arizona, is Cornerstone's second priority among the Copper One Projects and 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.

Spences Bridge Gold Belt Project
On June 23, 2006 the Company entered into an option agreement with a private company having common directors with the Company to acquire a 100% interest in the Spences Bridge Prospect located in the Nicola Mining District of British Columbia.

During the year ended November 30, 2013 the Company assessed the carrying value of the Spences Bridge Prospect and determined the recoverable amount of the property to be $10,000. Accordingly, the costs of $398,383 that had been previously capitalized were written down by $388,383.

Subsequent to November 30, 2014 the Company let the claims lapse and accordingly wrote off the remaining $10,000 of capitalized costs as at November 30, 2014.

Selected Annual Information
The Company's fiscal period ends on November 30th of each year. The following is a summary of certain selected audited financial information for the last three completed fiscal years:

	2014	**2013**	**2012**
	$	**$**	**$**
Total Revenues	-	-	-
Net Loss	(200,570)	(840,926)	(374,665)
Net loss Per Share (basic and diluted) (1)	(0.01)	(0.07)	(0.04)
Total Assets	596,621	677,016	1,060,674

(1) The basic and diluted loss per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants, if any.

The Company recorded a write down of $388,383 during the year ended November 30, 2013 on the Spences Bridge Gold Belt Project and a write down of $33,686 during the year ended November 30, 2014 on certain Copper One Projects and the Spences Bridge Gold Belt Project.

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 November 30, 2014

	THREE MONTHS ENDED			
	November 30, 2014 ($)	**August 31, 2014 ($)**	**May 31, 2014 ($)**	**February 28, 2014 ($)**
Total Revenue	Nil	Nil	Nil	Nil
Acquisition and exploration costs (cash)	30,552	33,624	5,604	22,837
Net loss	(43,472)	(60,191)	(46,897)	(50,010)
Net loss per share(1)	(0.00)	(0.00)	(0.00)	(0.01)
	THREE MONTHS ENDED			
	November 30, 2013 ($)	**August 31, 2013 ($)**	**May 31, 2013 ($)**	**February 28, 2013 ($)**
Total Revenue	Nil	Nil	Nil	Nil
Acquisition and exploration costs (cash)	79,374	91,924	-	-
Net loss	(626,732)	(56,940)	(91,045)	(66,209)
Net loss per share(1)	(0.05)	(0.00)	(0.01)	(0.01)

(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, 2013, the Company recorded a write down of the marketable securities of $161,790 to their estimated fair value and a write down of $388,383 of mineral properties and deferred exploration expenditures.

Results of Operations

The Company recorded a net loss of $200,570 ($0.01 per share) for the year ended November 30, 2014, compared to the net loss for the year ended November 30, 2013 of $840,926 ($0.07 per share). Operating activities consumed $166,242 before working capital adjustments. Cash requirements for investing activities totaled $92,617 which was all virtually related to acquisition and exploration expenditures. These cash requirements were primarily funded from a private placement completed during the year.

	2014 ($)	**2013 ($)**
General and administrative expenses	(166,884)	(274,531)
Realized loss and write down of marketable securities	-	(174,940)
Write down of mineral property	(33,686)	(388,383)
Share-based payments	-	(6,846)
Interest income	-	3,774
Net loss for the year	(200,570)	(840,926)

With respect to general and administrative expenses, the 2014 expenditures were generally lower than those of 2013 primarily because of the Company's decreasing state of affairs due to the downturn of the economy. The most significant general and administrative variances were with respect to audit, accounting and legal, consulting, and management fees.

<u>Audit, accounting and legal of $61,709 (2013 - $75,205).</u> Legal fees were higher in 2013 fiscal year due to costs incurred in relation to the due diligence on the acquisition of Copper One USA.

<u>Consulting fees of $33,358 (2013 - $80,590).</u> Consulting fees were higher in the 2013 fiscal year due to costs incurred to perform due diligence on the acquisition of Copper One USA.

<u>Management fees of $2,962 (2013 - $52,835).</u> Management fees were higher in the 2013 fiscal year due to management's efforts to reduce costs and streamline operations.

Fourth Quarter
The Company recorded a net loss of $43,472 ($0.00 per share) for the quarter ended November 30, 2014 as compared to a net loss of $626,732 ($0.05 per share) for the quarter ended November 30, 2013. The Company recorded a write down of $10,000 of mineral properties and deferred exploration expenditures during the quarter ended November 30, 2014. During the quarter ended November 30, 2013, the Company recorded a write down of the marketable securities of $161,790 to its estimated fair value and a write down of $388,383 of mineral properties and deferred exploration expenditures.

Financing Activities
On February 23, 2015 the Company announced a non-brokered private placement pursuant to which it will issue up to 5,000,000 units at a price of $0.02 per unit for gross proceeds of up to $100,000. Each unit will consist of one common share and one transferable share purchase warrant. Each warrant will be exercisable to purchase one additional common share, at an exercise price of $0.05 per share, for a period of two years from issuance of the warrants. Securities issued pursuant to the private placement will be subject to a four month hold.

On May 12, 2014, the Company closed a non-brokered private placement of 2,453,660 units at a price of $0.05 per unit for gross proceeds of $122,683. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder thereof the right to purchase one common share of the Company at an exercise price of: $0.05 in the first 6 months after issuance of the warrants, $0.075 in the period from 6 months to 12 months after issuance of the warrants, and $0.10 in the period from 12 months to 24 months after issuance of the warrants. If during the exercise period of the warrants the closing price of the Company's common shares is at least $0.15 per share for 20 consecutive trading days, the Company may accelerate the expiry time of the warrants to 20 calendar days from the date written notice is provided to the warrant holders. In connection with the private placement, the Company issued 56,000 finder's units, each finder's fee units having terms identical to units issued pursuant to the private placement.

On August 22, 2013, the Company issued 2,250,000 common shares as part of the consideration to acquire Copper One USA. The shares issued were valued at $202,500 using a market value of $0.09 per share, which was determined based on the closing share issue price on the date of the acquisition.

On December 3, 2012, the Company closed the second tranche of a non-brokered private placement and issued 880,000 units at $0.125 per unit for gross proceeds of $110,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder thereof the right to purchase one common share of the Company at $0.20 per share, exercisable up to June 3, 2014. The Company also issued 70,400 share purchase warrants valued at $2,579 and incurred cash issue costs of $10,421 in connection with the private placement.

Liquidity and Capital Resources
The Company's operations consumed $166,242 of cash (before working capital items) for the year ended November 30, 2014 (2013 – $269,737). Mineral property acquisition and exploration expenditures of $92,617 were incurred on the Copper One Projects during the year ended November 30, 2014 (2013 – $62,065). During the year ended November 30, 2014, the Company sold marketable securities for gross proceeds of $30,000. Net proceeds of $122,683 were received pursuant to a private placement during the year ended November 30, 2014 (2013 – $99,579). During the year ended November 30, 2013, cash of $8,426 was acquired and transaction costs of $47,878 were incurred on the acquisition of Copper One USA, and deferred financing costs of $3,782 were incurred.

The Company's aggregate operating, investing, and financing activities during the year ended November 30, 2014 resulted in a decrease in its cash balance from $138,298 at November 30, 2013 to $45,083 at November 30, 2014. The Company's had a working capital deficit at November 30, 2014 of $47,285 (November 30, 2013 – working capital of $80,252). 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. It is likely that the Company will be required to complete additional financings in order to carry out its business plan. 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 year ended November 30, 2014, mineral property options and exploration expenditures of $92,617 were incurred on the Copper One Projects (2013 – $209,419). Refer to Schedule 1 within the year ended November 30, 2014 audited financial statements.

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

- Malaspina Consultants Inc., a company owned by Robert McMorran, the Chief Financial Officer
- Buena Tierra Development Ltd., a company owned by Paul Cowley, the President, Chief Executive Officer and a director of the Company

The following expenditures were charged by related parties for the years ended November 30, 2014 and 2013:

	2014	2013
	$	$
Accounting fees (1)	**31,909**	37,385
Consulting fees (2)	**28,800**	28,800
Professional fees included in transaction costs on acquisition of Copper One USA (1)	**-**	14,571
Management fees (3)	**-**	49,600

(1) The charge includes accounting fees paid to Malaspina Consultants Inc.
(2) The charge includes consulting fees paid to Buena Tierra Development Ltd.
(3) The charge in 2013 included management fees paid to Larkspur Associates Inc. a company owned by Courtney Shearer, the Company's former Interim Chief Executive Officer

As at November 30, 2014, accounts payable and accrued liabilities include an amount of $39,883 (2013 – $39,206) due to directors and officers of the Company and companies controlled by directors and officers of the Company.

Key management includes the Chief Executive Officer, the Chief Financial Officer, and the directors. During the year ended November 30, 2013, 187,000 stock options issued to key management and directors were re-priced to $0.12 per share for which share-based payments of $6,846 were recorded. Other than the amounts disclosed above, there were no other transactions with related parties or other compensation paid or payable to key management for employee services for the reported periods.

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 – Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

As at November 30, 2014, the Company believes that the carrying values of cash and cash equivalents, other receivables, and accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations. The value of marketable securities has been assessed based on the fair value hierarchy described above and are classified as Level 1.

Discussions of risks associated with financial assets and liabilities are detailed below:

Foreign Exchange Risk
As at November 30, 2014, the majority of the Company's cash and cash equivalents were held in Canadian dollars, the Company's functional currency. The Company has nominal amounts of cash in US dollars, Chilean pesos and West African francs.

Credit Risk
Credit risk arises from cash and cash equivalents held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash and cash equivalents, aside from the nominal holdings in USA, Chile and Mali, is held with a large Canadian bank. Other receivables consist of accrued interest receivable from a large Canadian bank. Management believes that the credit risk concentration with respect to accrued interest receivable is remote.

Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize such a loss is limited as its interest bearing financial instrument is redeemable at any time.

Liquidity Risk
The Company manages liquidity risk by maintaining sufficient cash to enable settlement of transactions as they come due. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.

Price Risk
Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The Company holds shares of GBL acquired pursuant to mineral property option agreements. The Company is subject to price risk due to changes in the fair value of the common shares. GBL are traded on the TSX-V. A 5% change in the fair value of the shares would result in an immaterial change to the Company.

Commodity Price Risk
The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market prices of gold, silver and copper.

Off-balance Sheet Arrangements
The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

Outstanding Share Data

The following table discloses the Company's share capital structure as at March 27, 2015, the date of this MD&A

Authorized share capital: Unlimited number of Common Shares
Issued and outstanding common shares: 16,408,194
Fully diluted common shares:

Type of Security	Number	Exercise Price	Expiry Date
Stock options	370,000	$0.12	August 10, 2017
Warrants	2,509,660	$0.10	May 12, 2016
Fully Diluted	**19,287,854**		

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 consolidated financial statements for the year ended November 30, 2014 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 Management's Discussion and Analysis of Financial Condition and Results of Operations ("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.

Outlook

Southwest US Copper One Projects

Subsequent to acquiring Copper One USA on August 22, 2013, the Company began the process of prioritizing the projects acquired and designing work programs. As part of this process the Company allowed four of the claim groups acquired to lapse and has retained two of the projects in good standing, with the principal property being Lone Mountain, New Mexico. The Company believes that this is a viable group of projects that will create a strong base of exploration and development work for the Company and create growth opportunities for many years.

The Company has assessed the Lone Mountain, New Mexico project and has designed a preliminary drill plan for exploration on the project, to be conducted when adequate money becomes available.