Condensed Interim Consolidated Financial Statements of

Cornerstone Metals Inc.

For the three and six months ended May 31, 2016 and 2015

(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	May 31, 2016	November 30, 2015
		$	$
ASSETS			
Current			
Cash and cash equivalents		**209,784**	280,993
GST and other receivables		**2,942**	675
Marketable securities	**5**	**1,530**	1,530
Prepaid expenses		**435**	1,087
		214,691	284,285
Reclamation bonds	**6**	**9,000**	9,000
Mineral properties	**6 and Sch. 1**	**70,204**	70,204
		293,895	363,489
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**8**	**50,069**	59,935
SHAREHOLDERS' EQUITY			
Share capital	**7**	**6,389,039**	6,389,039
Contributed surplus	**7**	**1,114,718**	1,114,718
Accumulated other comprehensive loss	**5**	**(680)**	(680)
Deficit		**(7,259,251)**	(7,199,523)
		243,826	303,554
		293,895	363,489

Nature of operations and going concern (Note 1)
Commitments (Note 6)

Approved on behalf of the Board:

"Fred Sveinson"
Director – Fred Sveinson

"Paul S. Cowley"
Director – Paul S. Cowley

Cornerstone Metals Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and six months ended May 31, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

		Three months ended May 31		Six months ended May 31	
	Note	**2016**	**2015**	**2016**	**2015**
		$	**$**	**$**	**$**
Audit, accounting and legal	**8**	**11,640**	13,983	**20,494**	28,380
Consulting fees	**8**	**10,600**	12,803	**17,800**	22,614
Foreign exchange loss		**9,012**	314	**5,789**	119
Office expenses		**1,111**	4,493	**2,241**	6,562
Rent		**-**	1,528	**-**	5,862
Transfer agent and filing fees		**4,752**	4,511	**12,773**	13,521
Travel and accommodation		**730**	-	**730**	2,929
Loss before other items		**(37,845)**	(37,632)	**(59,827)**	(79,987)
Other items					
Interest income		**59**	-	**99**	-
Net loss for the period		**(37,786)**	(37,632)	**(59,728)**	(79,987)
Other comprehensive income					
Unrealized gain on marketable securities	**5**	**340**	-	**-**	-
Comprehensive loss for the period		**(37,446)**	(37,632)	**(59,728)**	(79,987)
Basic and diluted loss per common share		**(0.00)**	(0.00)	**(0.00)**	(0.00)
Weighted average number of common shares outstanding		**22,883,194**	**20,349,499**	**22,883,194**	18,400,502

Cornerstone Metals Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the six months ended May 31, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

	2016	2015
	$	$
Cash flows provided by (used in):		
Operating activities		
Net loss for the period	**(59,728)**	(79,987)
Net changes in non-cash working capital items:		
GST and other receivables	**(2,267)**	(2,518)
Prepaid expenses	**652**	1,503
Accounts payable and accrued liabilities	**(9,866)**	11,738
	(71,209)	(69,264)
Investing activities		
Mineral property options and deferred exploration expenditures	**-**	(11,620)
Financing activities		
Issuance of common shares	**-**	125,000
Share issuance costs	**-**	(1,397)
	-	123,603
(Decrease) Increase in cash during the period	**(71,209)**	42,719
Cash, beginning of period	**280,993**	45,083
Cash, end of period	**209,784**	87,802

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

	Common shares	Share Capital	Contributed surplus	Deficit	AOCI	Total
	number	$	$	$	$	$
Balance – November 30, 2014	**16,408,194**	**6,285,587**	**1,094,567**	**(6,877,741)**	**(1,360)**	**501,053**
Shares issued for:						
cash pursuant to private placement	6,250,000	105,549	19,451	-	-	125,000
Share issuance costs – cash		(1,397)	-	-	-	(1,397)
Share issuance costs – finder's units	225,000	(700)	700	-	-	-
Net loss and comprehensive loss	-	-	-	(79,987)	-	(79,987)
Balance – May 31, 2015	**22,883,194**	**6,389,039**	**1,114,718**	**(6,957,728)**	**(1,360)**	**544,669**
Net loss and comprehensive loss	-	-	-	(241,795)	680	(241,115)
Balance – November 30, 2015	**22,883,194**	**6,389,039**	**1,114,718**	**(7,199,523)**	**(680)**	**303,554**
Net loss and comprehensive loss	-	-	-	(59,728)	-	(59,728)
Balance – May 31, 2016	**22,883,194**	**6,389,039**	**1,114,718**	**(7,259,251)**	**(680)**	**243,826**

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 interests in properties located in New Mexico and 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 condensed interim 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 May 31, 2016, the Company had not yet achieved profitable operations, had an accumulated deficit of $7,259,251 (November 30, 2015 – $7,199,523) since inception 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, 2015, 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, 2015.

These condensed interim consolidated financial statements were approved by the board of directors for use on July 22, 2016.

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.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

(Unaudited- Expressed in Canadian dollars)

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. The Company is currently evaluating the impact of this standard on its condensed interim consolidated financial statements.

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. The Company is currently evaluating the impact of this standard on its condensed interim consolidated financial statements.

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, 2015.

5. MARKETABLE SECURITIES

The company received shares and warrants pursuant to assignment agreement and option agreement during fiscal year ended 2011 and 2013. The shares and warrants 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).

	May 31, 2016		November 30, 2015	
	Fair value	**Cost**	**Fair value**	**Cost**
	$	**$**	**$**	**$**
Shares of GB Minerals Ltd	1,530	2,210	1,530	2,210

As at May 31, 2016 and November 30, 2015, the Company holds 17,000 shares of GB Minerals Ltd. ("GBL") (previously Plains Creek Phosphate Corporation).

During the six months ended May 31, 2016, the Company recorded an unrealized gain of $340 (May 31, 2015 –unrealized gain of $nil) in other comprehensive loss or income.

6. MINERAL PROPERTIES – Schedule 1

Lone Mountain, 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 Lone Mountain located in New Mexico. Land holdings on the Lone Mountain property consist of New Mexico State mineral leases and unpatented federal mining claims (BLM claims).

Pursuant to an exploration and option purchase agreement dated May 3, 2013 and amended February 11, 2014 with a private resident in New Mexico, the Company had the right to access and explore the northern part of the Lone Mountain property in return for staged payments. During and subsequent to the year ended November 30, 2015, the Company failed to make the payment requirements of US$30,000 due on February 16, 2015 and US$35,000 due on February 16, 2016 under the agreement.

During the year ended November 30, 2015, the Company terminated its Part 4 exploration level permit on the Lone Mountain project. On June 24, 2015 the State of New Mexico's Energy, Minerals and Natural Resources Department released the Company of any further reclamation issues and released the reclamation bond. The Company received the reclamation bond proceeds of US$248,275 (CAD$312,533) plus interest of US$2,341 (CAD$2,950). A realized foreign exchange gain of $54,496 was recorded with respect to this transaction.

Pursuant to another exploration and purchase option agreement dated April 30, 2013 with LT Ranch LLC, the Company had the right to access and explore the southern portion of the Lone Mountain property in return for the staged payments. During the year ended November 30, 2015, the Company failed to make the payment requirement of US$45,000 and US$60,000 respectively due on September 30, 2015 and October 1, 2015.

The Company decided not to make the required permit payments on the State mineral leases due in December 2015 on the Lone Mountain property in order to conserve cash. The costs of $259,792 that had been previously capitalized, were written off during the year ended November 30, 2015. (refer to schedule 1). The Company still holds the BLM claims for Lone Mountain.

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.

On February 11, 2015 the Company 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, Lowell Copper terminated the option agreement resulting in the Company retaining 100% on the West Jerome project.

Other
As at May 31, 2016, the Company holds a total of $9,000 (November 30, 2015 - $9,000) in reclamation bonds related to its previously held Spences Bridge prospect.

7. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value

b) Financing:
There were no financings during the six months ended May 31, 2016.

On April 6, 2015, the Company closed a non-brokered private placement of 6,250,000 units at a price of $0.02 per unit for gross proceeds of $125,000. Each unit consisted 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. A value of $19,451 had been attributed to the warrants using the Black-Scholes option pricing model. In connection with the private placement, the Company incurred cash issue costs of $1,397 and issued 225,000 finder's units, each finder's fee units having terms identical to units issued pursuant to the private placement. A value of $700 has been attributed to the finder's warrants using the Black-Scholes option pricing model, arising from the issue of these compensation warrants has been charged to share issue costs and credited to contributed surplus.

(Unaudited- Expressed in Canadian dollars)

The assumptions used in the Black Scholes option pricing model are as follows: risk-free interest rate – 1.50%; expected life – 2.0 years; expected volatility – 125% and expected dividends – nil.

c) Options:
The balance of options outstanding and related information for the six months ended May 31, 2016 is as follows:

	Options Outstanding	Weighted Average Exercise Price Per Share	Weighted Average Life (Years)
Balance, November 30, 2014	450,000	$0.12	2.27
Expired	(80,000)	$0.12	
Balance, November 30, 2015 and May 31, 2016	370,000	$0.12	1.19

As at May 31, 2016, the Company had 370,000 options outstanding with an exercise price of $0.12 per share and expire on August 10, 2017.

d) Warrants:
The balance of warrants outstanding and related information for the six months ended May 31, 2016 is as follows:

	Warrants Outstanding	Weighted Average Exercise Price Per Share	Weighted Average Life (Years)
Balance, November 30, 2014	2,509,660	$0.10	1.45
Issued	6,475,000	$0.05	
Balance, November 30, 2015	8,984,660	$0.06	0.60
Expired	(2,509,660)	$0.10	
Balance, May 31, 2016	6,475,000	$0.05	0.85

As at May 31, 2016, the Company had 6,475,000 warrants outstanding with an exercise price of $0.05 with an expiry date of April 6, 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 six months ended May 31, 2016 and 2015 was as follows:

	Three months ended May 31		Six months ended May 31	
	2016	2015	2016	2015
	$	$	$	$
Accounting fees	2,680	825	4,240	825
Consulting fees	9,600	12,800	16,800	22,400
	12,280	13,625	21,040	23,225

(Unaudited- Expressed in Canadian dollars)

The Company incurred additional expenditures charged by related parties during the three and six months ended May 31, 2016 and 2015 ended as follows:

	Three months ended May 31		Six months ended May 31	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Accounting fees	-	8,188	-	10,480

As at May 31, 2016, accounts payable and accrued liabilities include an amount of $19,320 (November 30, 2015 – $18,480) due to directors and officers of the Company and companies controlled by directors and officers of the Company.

9. SEGMENTED INFORMATION

The Company has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer and the executive management in assessing performance and in determining the allocation of resources. The Company considers the business from a geographic perspective and assesses the performance of the operating segments based on measures such as net property and equipment as well as operational results.

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

Geographic Segments
As at May 31, 2016, the Company's operations and assets are located in Canada and the USA. By geographic areas, the Company's losses for the three and six months ended May 31, 2016 and 2015 are as follows:

	Three months ended May 31		Six months ended May 31	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Canada	37,205	31,910	58,664	67,708
USA	581	5,722	1,064	12,279
	37,786	37,632	59,728	79,987

By geographic areas, the Company's non-current assets as at May 31, 2016 and November 30 2015 are as follows

	May 31 2016	**November 30 2015**
	$	**$**
Canada	9,000	9,000
USA	70,204	70,204
	79,204	79,204

Cornerstone Metals Inc.
SCHEDULE 1
Condensed Interim Consolidated Schedule of Mineral Properties
For the six months ended May 31, 2016
(Unaudited - Expressed in Canadian dollars)

	Lone Mountain	**West Jerome**	**Total**
	$	**$**	**$**
Balance as at November 30, 2014	**228,576**	**49,775**	**278,351**
Acquisition Expenditures			
Option access payments – cash	11,630	-	11,630
Permitting	19,586	20,429	40,015
	31,216	20,429	51,645
Write down on mineral properties	(259,792)	-	(259,792)
Balance as at November 30, 2015 and May 31, 2016	**-**	**70,204**	**70,204**