MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED AUGUST 31, 2016 AND 2015

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, 2016 has been prepared as of October 27, 2016. 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, 2016 as well as the audited annual consolidated financial statements for the year ended November 30, 2015 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".

Recent Highlights

Subsequent to August 31, 2016 the Company announced the appointment of John Anderson to the Board of Directors. Mr. Anderson holds a B.A. from the University of Western Ontario and is the co-founder of Aquastone Capital Advisors LP, a U.S.-based gold investment fund. With over 15 years' experience in the capital markets, Mr. Anderson's specialty is identifying undervalued opportunities in the resource industry and investing capital into these situations.

Subsequent to August 31, 2016 the Company also announced the appointment of Bill Matheson to the Advisory Board, effective immediately. Bill Matheson has worked in the mining and industrial sectors for over 37 years in the roles of Field Engineer (Electrical/Instrumentation), Construction and Project Manager and advisor.

Subsequent to August 31, 2016 the Company granted a total of 1,500,000 incentive stock options to directors, officers, and consultants of the Company, subject to the terms and provisions of the Company's stock option plan, at an exercise price of $0.05 per share, for five year term.

Subsequent to August 31, 2016, the Company did not make BLM payments to renew its claims at Lone Mountain, consequently the Company no longer holds any ground at Lone Mountain.

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.

Lone Mountain, New Mexico

Lone Mountain is located near Silver City, New Mexico and 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 previously consisted of two New Mexico State mineral leases and 40 unpatented federal mining claims (BLM claims), comprising 619.17 hectares (1,530 acres). The Company decided not to make the lease payments to the state, due December 28, 2015. The Commissioner of Public Lands exercised his right to cancel the leases. The Company did not to renew in early September 2016 the BLM claims for Lone Mountain which were interpreted to be on the fringe of the copper system at Lone Mountain. The Company consequently does not hold any ground at Lone Mountain. Based on all of the above, the costs of $259,792 that had been previously capitalized, were written off during the year ended November 30, 2015.

The original Lone Mountain property covered a large tonnage porphyry copper system with some 25,500 metres of historic drilling in 56 drill holes. It represented a broadly-explored (drill hole spacing was approximately 250 metres), well-mineralized, porphyry-skarn system with multiple, stacked mineralized targets. Three distinct targets were 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 were the primary interest of Cornerstone, with the aim to infill and justify a NI43-101 resource.

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.

On July 10, 2015, the Company terminated its Part 4 exploration level permit on the Lone Mountain property 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. A realized foreign exchange gain of $54,496 was recorded with respect to this transaction.

Also, in an effort to conserve its treasury, the Company has not made payments according to two access agreements to local ranchers. 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 one agreement (which has now been formally terminated by the local rancher of this agreement) and failed to make the payment requirements of US$45,000, US$60,000 and $65,000 respectively due on September 30, 2015, October 1, 2015 and October 1, 2016 on the second agreement.

West Jerome, Arizona

The West Jerome property, near Jerome, Arizona, consists of approximately five square kilometers of claims on the west side of Freeport McMorran 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.

Summary of Quarterly Results

The following is selected financial data for the last eight quarters ending with the most recently completed quarter, being the nine months ended August 31, 2016.

	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) or gain	(19,880)	(37,446)	(21,942)	(289,112)
Net (loss) or gain per share[(1)]	(0.00)	(0.00)	(0.00)	(0.02)

	THREE MONTHS ENDED			
	August 31, 2015 ($)	**May 31, 2015 ($)**	**February 28, 2015 ($)**	**November 30, 2014 ($)**
Total Revenue	Nil	Nil	Nil	Nil
Acquisition and exploration costs	Nil	Nil	11,630	30,552
Net (loss) or gain	47,317	(37,632)	(42,355)	(43,472)
Net (loss) or gain per share[(1)]	0.00	(0.00)	(0.00)	(0.00)

(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. The gain of $47,317 recorded during the quarter ended August 31, 2015 is the result of a realized foreign exchange gain of $54,496 from proceeds received for the refund of its reclamation bond of US$248,275.

Results of Operations

Three months ended August 31, 2016

The Company recorded a net loss of $19,880 ($0.00 per share) for the three months ended August 31, 2016, compared to a net loss of $47,317 ($0.00 per share) for the three months ended August 31, 2015.

	2016 ($)	**2015 ($)**
General and administrative expenses	19,563	20,705
Foreign exchange (gain) loss	348	(65,118)
Interest income	(31)	(2,904)
Unrealized loss on marketable securities	(85)	-
Net loss for the period	19,880	47,317

The general and administrative expenses during the three months ended August 31, 2016, compared with 2015 remained at consistent levels as management continues its efforts to reduce costs and streamline operations.

Nine months ended August 31, 2016

The Company recorded a net loss of $79,608 ($0.00 per share) for the nine months ended August 31, 2016, compared to a net loss of $32,670 ($0.00 per share) for the nine months ended August 31, 2015. Operating activities consumed $89,918 before working capital adjustments. These cash requirements were primarily funded from cash on hand.

	2016 ($)	**2015 ($)**
General and administrative expenses	73,601	100,573
Foreign exchange (gain) loss	6,137	(64,999)
Interest expense (income)	(85)	(2,904)
Unrealized gain (loss) on marketable securities	(85)	-
Net loss for the period	79,608	32,670

The decrease in general and administrative expenses during the nine months ended August 31, 2016, compared with 2015 is the result of a reduction of corporate activities and management's efforts to reduce costs and streamline operations.

Financing Activities

There were no financing activities during the nine months ended August 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 has 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.

Liquidity and Capital Resources

The Company's operations consumed $79,608 (August 31, 2015 – $32,670) of cash (before non-cash working capital items) with an additional $19,922 (2015 - $51,645) utilized on mineral property acquisition and exploration expenditures and a foreign exchange effect on cash of $nil (2015 – gain of $54,496). The cash requirement was funded from the cash balance as at November 30, 2015.

The Company's aggregate operating, investing, and financing activities during the nine months ended August 31, 2016 resulted in a decrease in its cash balance from $280,993 at November 30, 2015 to $171,153 at August 31, 2016. The Company had working capital at August 31, 2016 of $124,735 (November 30, 2015 – working capital of $224,350). 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 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 nine months ended August 31, 2016, the Company incurred $19,922 of mineral property option or exploration expenditures during the nine months ended August 31, 2016 as compared with $51,645 spent during the nine months ended August 31, 2015 on the Company's Lone Mountain and West Jerome properties. Refer to Schedule 1 within the condensed interim consolidated 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:

- 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, 2016 and 2015 was as follows:

	Three months ended August 31		**Nine months ended August 31**	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Accounting fees	800	1,040	5,040	1,920
Consulting fees (1)	9,600	7,200	26,400	29,600

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

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

	Three months ended August 31		**Nine months ended August 31**	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Accounting fees (2)	**-**	-	**-**	10,425

(2) The charge includes consulting fees paid to Malaspina Consultants Inc., a Company owned by Robert McMorran, the former Chief Financial Officer.

As at August 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 or companies controlled by directors and 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 October 27, 2016, the date of this MD&A

Authorized share capital: Unlimited number of Common Shares
Issued and outstanding common shares: 22,883,194

Type of Security	**Number**	**Exercise Price**	**Expiry Date**
Stock options	370,000	$0.12	August 10, 2017
Stock options	1,500,000	$0.05	October 12, 2021
Warrants	6,475,000	$0.05	April 6, 2017
Fully Diluted	**31,228,194**		

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, 2016 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.