Consolidated Financial Statements of
Cornerstone Capital Resources Inc.

For the years ended
December 31, 2019 and 2018

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McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Cornerstone Capital Resources Inc.

Opinion

We have audited the consolidated financial statements of Cornerstone Capital Resources Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of operations and comprehensive (loss) income, consolidated statements of changes in shareholder's equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Chris Milios.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 28, 2020

CORNERSTONE CAPITAL RESOURCES INC.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	As at December 31, 2019	As at December 31, 2018
	$	$
ASSETS		
CURRENT		
Cash and cash equivalents	**851,780**	3,883,299
Marketable securities (Note 7)	**382**	248
Receivables (Note 8)	**541,709**	362,226
Prepaid expenses	**226,698**	222,502
TOTAL CURRENT ASSETS	**1,620,569**	4,468,275
Long term investments (Note 6, 9)	**72,000,000**	103,600,000
Marketable securities (Note 6, 7)	**60,111,027**	102,093,548
Property and equipment	**251,345**	310,447
TOTAL NON-CURRENT ASSETS	**132,362,372**	206,003,995
TOTAL ASSETS	**133,982,941**	210,472,270
LIABILITIES		
CURRENT		
Trade payables and accrued liabilities	**962,178**	274,431
TOTAL CURRENT LIABILITIES	**962,178**	274,431
Deferred tax liability (Note 17)	**20,160,000**	29,008,000
TOTAL LIABILITIES	**21,122,178**	29,282,431
EQUITY		
Shareholders' equity (Note 11)	**112,860,763**	181,189,839
TOTAL LIABILITIES AND EQUITY	**133,982,941**	210,472,270

Basis of consolidation and presentation (Note 2)
Contingencies (Note 15)
Commitments (Note 16)
Events after the reporting period (Note 18)

APPROVED BY THE BOARD OF DIRECTORS ON APRIL 28, 2020:

"Brooke Macdonald" Director "Beverley Evans" Director

See accompanying notes to the consolidated financial statements

CORNERSTONE CAPITAL RESOURCES INC.

Consolidated Statements of Operations and Comprehensive (Loss) Income

(Expressed in Canadian Dollars)

	Year Ended December 31, 2019	Year Ended December 31, 2018
	$	$
REVENUE AND OTHER INCOME		
Unrealized gain (loss) on value of marketable securities	**134**	(1,892)
Project revenue	**299,984**	146,579
Other income	**-**	120
Investment income (loss)	**60**	(206)
TOTAL REVENUE AND OTHER INCOME	**300,178**	144,601
EXPENSES		
Loss on deconsolidation of subsidiary (Note 2)	**167,130**	-
Exploration and evaluation expenditures (Note 10)	**2,937,884**	3,699,530
General and administrative	**533,515**	521,100
Share-based payments (Note 11)	**2,131,226**	2,860,506
Consulting fees	**763,253**	809,407
Accounting, audit and legal	**943,027**	972,364
Depreciation	**69,377**	66,927
Interest and bank charges	**10,128**	8,673
Foreign exchange loss (gain)	**27,964**	(16,209)
TOTAL EXPENSES	**7,583,504**	8,922,298
NET LOSS FOR THE YEAR	**(7,283,326)**	(8,777,697)
OTHER COMPREHENSIVE (LOSS) INCOME		
Loss on disposal of marketable securities (Note 7)	**(238,112)**	-
Unrealized (loss) on investment (Note 7)	**(73,065,395)**	(6,843,260)
Deferred income tax recovery (Note 17)	**8,848,000**	2,431,323
TOTAL OTHER COMPREHENSIVE LOSS	**(64,455,507)**	(4,411,937)
NET COMPREHENSIVE LOSS	**(71,738,833)**	(13,189,634)
Loss per share		
Basic	**(0.23)**	(0.28)
Diluted	**(0.23)**	(0.28)
Weighted-average number of shares outstanding		
Basic	**31,973,753**	31,181,184
Diluted	**31,973,753**	31,181,184

See accompanying notes to the consolidated financial statements

CORNERSTONE CAPITAL RESOURCES INC.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Number of shares	Share capital	Warrants	Contributed Surplus	Accumulated other Comprehensive Income	Deficit	Total Shareholders' Equity
		$	$	$	$	$	$
Balance, December 31, 2017	29,475,971	150,940,624	2,409,470	12,691,967	74,985,679	(58,178,575)	182,849,165
Total comprehensive loss for the year	-	-	-	-	(4,411,937)	(8,777,697)	(13,189,634)
Shares issued in private placements (note 11 (a))	2,050,000	8,200,000	-	-	-	-	8,200,000
Shares issued on exercise of stock options (note 11 (b))	53,750	140,872		(35,044)			105,828
Shares issued on exercise of warrants (note 11 (c))	131,559	448,180	(108,170)				340,010
Shares issued to settle debt (note 11 (a))	56,452	350,000					350,000
Share-based payments (note 11 (b))	-	-	-	2,860,506		-	2,860,506
Share issue costs (note 11 (a))	-	(326,036)	-	-	-	-	(326,036)
Balance, December 31, 2018	31,767,732	159,753,640	2,301,300	15,517,429	70,573,742	(66,956,272)	181,189,839
Total comprehensive loss for the year	-	-	-	-	(64,455,507)	(7,283,326)	(71,738,833)
Shares issued on exercise of stock options (note 11 (b))	57,500	360,405	-	(161,665)	-	-	198,740
Shares issued on exercise of warrants (note 11 (c))	196,834	563,835	(97,546)	-	-	-	466,289
Expiry of warrants (note 11 (c))			(1,216,373)	1,216,373			-
Shares issued to settle debt (note 11 (a))	283,920	672,891					672,891
Share-based payments (note 11 (b))	-	-	-	2,131,226		-	2,131,226
Share issue costs (note 11 (a))	-	(59,389)	-	-	-	-	(59,389)
Balance, December 31, 2019	32,305,986	161,291,382	987,381	18,703,363	6,118,235	(74,239,598)	112,860,763

On July 12, 2019 the Company implemented a share consolidation where shareholders received one post-consolidation common share for every 20 pre-consolidation common shares held. All share, option and warrant information has been adjusted to reflect this consolidation.

See accompanying notes to the consolidated financial statements

CORNERSTONE CAPITAL RESOURCES INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2019	Year Ended December 31, 2018
	$	$
OPERATING ACTIVITIES		
Net loss for the year	**(7,283,326)**	(8,777,697)
Items not affecting cash:		
Depreciation	**69,377**	66,927
Unrealized (gain) on value of marketable securities	**(134)**	1,892
Share-based payments	**2,131,226**	2,860,506
Foreign exchange loss (gain)	**27,964**	
Professional fees settled in common shares	**672,891**	350,000
Changes in non-cash operating working capital (Note 13)	**476,104**	324,520
CASHFLOWS FROM OPERATING ACTIVITIES	**(3,905,898)**	(5,173,852)
INVESTING ACTIVITIES		
Proceeds on disposal of marketable securities	**279,013**	-
Purchase of property and equipment	**(10,263)**	(72,181)
CASHFLOWS FROM INVESTING ACTIVITIES	**268,750**	(72,181)
FINANCING ACTIVITIES		
Proceeds from exercise of stock options	**198,740**	105,828
Proceeds from exercise of warrants	**466,278**	340,010
Proceeds from issuance of share capital	**-**	8,200,000
Share issue costs	**(59,389)**	(326,036)
CASHFLOWS FROM FINANCING ACTIVITIES	**605,629**	8,319,802
(DECREASE) INCREASE IN CASH	**(3,031,519)**	3,073,769
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	**3,883,299**	809,530
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**851,780**	3,883,299

See accompanying notes to the consolidated financial statements

Supplemental cash flow information (Note 13)

1. DESCRIPTION OF BUSINESS

Cornerstone Capital Resources Inc. ("Cornerstone Capital", "Cornerstone", or the "Company"), is incorporated under the laws of Alberta, Canada and has its principal office in Ottawa, Ontario, Canada. The Company, through its wholly-owned subsidiaries, and its 15% holdings in Exploraciones Novomining S.A. ("ENSA"), is engaged in the evaluation, acquisition and exploration of mineral properties in Ecuador and Chile. The Company plans to ultimately develop the properties, bring them into production, option or lease the properties to third parties, or sell the properties outright. The Company has not determined whether these properties contain mineral reserves that are economically recoverable, and the Company is considered to be in the exploration stage.

These consolidated financial statements ("financial statements") for the years ended December 31, 2019 and 2018, were authorized for issuance by the Board of Directors of the Company on April 28, 2020.

2. BASIS OF CONSOLIDATION AND PRESENTATION

Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies applied in these financial statements are presented in Note 4 and have been applied consistently to all years presented.

The preparation of the financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgements in applying the Company's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Basis of Consolidation and Presentation

The financial statements reflect the financial position, results of operations and cash flows of the Company and its subsidiaries. Cornerstone Capital is the ultimate parent company of the consolidated group. Subsidiaries are consolidated from the date on which the Company obtains control and continue to be consolidated until control ceases. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

Where the ownership of a subsidiary is less than 100%, and a non-controlling interest thus exists, any losses of that subsidiary are attributed to the non-controlling interests even if that results in a deficit. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

On August 28, 2019 Sunstone Metals Limited acquired 51% of La Plata Minerales S.A. under a farm-in agreement. As a result of this change in ownership accounting for La Plata Minerales S.A. has changed from the consolidation method to the equity method. The Company recorded a loss of $167,130 as a result of this change. The investment is now being accounted for as a Joint Venture.

(Expressed in Canadian Dollars)

2. BASIS OF CONSOLIDATION AND PRESENTATION (Continued)

The Company's indirect 15% interest in ENSA (held by Cornerstone Ecuador S.A. ("CESA")) is being accounted for at Fair Value through Other Comprehensive Income.

The subsidiaries and joint venture of the Company at December 31, 2019, and their principal activities are described below:

Name of subsidiary	Acronym	Place of incorporation	Ownership interest	Principal activity
Cornerstone Exploration Inc.	CEX	Canada	100%	Holding
Gestion Minera S.A.	GEMINSA	Ecuador	100%	Management
Bellamaria Mining S.A.	BMSA	Ecuador	100%	Exploration
Canabrava Mining S.A.	CMSA	Ecuador	100%	Exploration
La Plata Minerales S.A.	La Plata	Ecuador	49%	Exploration
Exploaurum S.A.	EXSA	Ecuador	100%	Exploration
Cornerstone Ecuador S.A.	CESA	Ecuador	100%	Exploration
Vetasgrandes Mining S.A.	VMSA	Ecuador	100%	Exploration
Minera Cornerstone Chile Limitada	MCCL	Chile	100%	Exploration

Interest in equity investment

The Company's interest in equity investees is comprised of its interest in La Plata Minerales S.A. ("La Plata").

Interests in joint ventures are accounted for using the equity method in accordance with IAS 28. They are recognized initially at cost, which includes transaction costs. After initial recognition, the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income ("OCI") of equity investees until the date on which significant influence ceases.

If the Company's share of losses in an equity investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Company and its joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the Company have been prepared in accordance with IFRS on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company does not have any proven economically recoverable reserves, has a history of losses, and at December 31, 2019, the Company had an accumulated deficit of $74,239,598 (December 31, 2018 - $66,956,272) and has an accumulated net comprehensive gain of $6,118,235 (December 31, 2018 - $70,573,742). The success of the Company is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to find and complete the development of such reserves, the ability of the Company to satisfy obligations as they come due and upon future profitable production from the properties or proceeds from disposition. The Company as at December 31, 2019, had cash balances of $851,780 (December 31, 2018 - $3,883,299) and current liabilities of $962,178 (December 31, 2018 - $274,431). The Company is assessing its options for financing required to continue to pursue its

2. BASIS OF CONSOLIDATION AND PRESENTATION (Continued)

exploration activities, and to meet its general and administrative costs for at least the next 12 months from the reporting period.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers, government licensing requirements or regulations, unregistered claims and non-compliance with regulatory, environmental and social licensing requirements, and may be affected by undetected defects. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported net loss and the balance sheet classifications used.

Basis of measurement

These financial statements have been prepared on a historical cost basis, except for long-term investments and marketable securities classified as fair value through Other Comprehensive Income, which are measured at fair value.

Functional currency and currency of presentation

The financial statements are presented in Canadian dollars which is also the functional currency of the Company and its subsidiaries. All financial information has been presented in CAD, unless otherwise stated and "USD" represents United States dollars and "CLP" represents Chilean Peso. All amounts have been rounded to the nearest dollar, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

A) Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with high credit quality financial institutions. Excess cash is kept in interest bearing deposit accounts and guaranteed investment certificates with these financial institutions. As at December 31, 2019 and 2018, the Company did not have any cash equivalents.

B) Exploration and evaluation expenditures

The Company expenses all expenditures related to its exploration and evaluation assets until such time as the properties are put into commercial production. Under this method, all amounts shown as exploration and evaluation expenditures represent costs incurred during the year less amounts reimbursed from exploration partners.

C) Property and equipment

Property and equipment are recorded at cost less accumulated amortization and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is calculated on a declining balance basis at rates which will reduce original cost to estimated residual value over the estimated useful lives of the assets. Property and equipment is reviewed for impairment

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

annually or whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognized.

The rates applicable to each category of property and equipment are as follows:

Class of property and equipment	Depreciation rate
Equipment	20%
Computers	45%
Vehicles	20%

An asset's residual value, useful life and amortization method are reviewed, and adjusted if appropriate, on an annual basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

D) Share-based payments

The Company uses the fair value method to measure compensation expense at the date of grant of stock options. The fair value of options is determined using the Black-Scholes option pricing model and is amortized to earnings over the vesting period with an offset to share-based payment reserve. When options are exercised, the corresponding share-based payment reserve and the proceeds received by the Company are credited to share capital. Forfeitures are estimated at the time of the grant and revised annually. Any changes in the forfeiture rate is recorded prospectively as a change in estimate. Options which expire are moved to Contributed Surplus.

E) Income taxes

Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income taxes

Deferred tax is recognized using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets and liabilities are recognized for all temporary differences except:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Where the temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, that affects neither the accounting profit nor taxable profit (loss).

- In respect of temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venture and it is probable that the temporary differences will not be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax relating to items recognized in other comprehensive income or equity is recognized in other comprehensive income (loss) or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

F) Loss per share

Basic loss per share is computed by dividing the loss for the period by the weighted-average number of shares outstanding during the period. Diluted earnings per share is calculated giving effect to potential dilution that would occur if stock options, warrants or other dilutive instruments were exercised. The dilutive impact is determined by assuming that any proceeds upon exercise for which market price exceeds exercise price, would be used to purchase shares at the average market price for the period.

G) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange ruling at the reporting date. All differences are taken to the profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Exchange differences resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

H) Financial instruments

Financial assets and liabilities

Financial assets
Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit or loss (“FVPL”) or as fair value through other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost.

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of operations. The Company measures cash and receivables at amortized cost.

Subsequent measurement – financial assets at FVPL
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations. The Company’s short-term marketable securities are classified as financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company’s long-term investments and long-term marketable securities are classified as financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of operations when the right to receive payments is established.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets
The Company's only financial assets subject to impairment are receivables, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, receivables have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include trade payables and other liabilities, which are measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of operations.

Subsequent measurement – financial liabilities at FVPL
Financial liabilities measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in the consolidated statements of operations.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations.

I) Equity

Warrants includes charges related to the issuance of warrants until such equity instruments are exercised or expire. On expiry, warrant values are recorded to contributed surplus.

Contributed surplus includes charges related to stock-based compensation until such equity instruments are exercised. It also includes all expired options and warrants previously issued.

Accumulated deficit includes all current and prior period net income or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) Segmented reporting

The Company is organized into business units based on mineral properties and has one business segment, being the acquisition, exploration and evaluation of mineral properties. The Company considers its investment in ENSA to be part of this segment.

K) Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of the assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

In particular, the Company has identified the following areas where significant judgments, estimates, and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

<u>Significant management judgments</u>

The following are significant management judgments in applying the accounting policies of the Company and have the most significant effect on the financial statements.

- *Income, value added, withholding and other taxes*

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- *Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgments based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

The Company's business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will ultimately result in profitable mining operations. The Company's

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

continued existence is dependent upon the preservation of its interests in the underlying properties it acquires, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise additional financing, if necessary, or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs to the carrying values of the Company’s assets. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

- *Contingencies*

By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgments and the use of estimates regarding the outcome of future events.

- *Functional currency*

The functional currency of the parent entity, and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The parent entity has determined the functional currency of each entity is the Canadian dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

- *Repayment of carried interest on Cascabel*

ENSA, which is owned by SolGold and Cornerstone, holds 100% of the Cascabel concession. Subject to the satisfaction of certain conditions, including SolGold’s fully funding the project through to completion of a feasibility study, SolGold will own 85% of the equity of ENSA and Cornerstone will own the remaining 15% of ENSA. SolGold is funding 100% of the exploration at Cascabel and is the operator of the project. SolGold is entitled to receive 90% of Cornerstone’s distribution of earnings or dividends from ENSA to which Cornerstone would otherwise be entitled until such time as the amounts so received equal the aggregate amount of expenditures incurred by SolGold that would have otherwise been payable by Cornerstone, plus interest thereon from the dates such expenditures were incurred at a rate per annum equal to LIBOR plus 2 per cent until such time as SolGold is fully reimbursed. Cornerstone is required to contribute its 15% of costs following completion of the feasibility study, subject to dilution for failure to do so (and if diluted below 10%, its interest will be automatically converted to a 0.5% NSR, which SolGold may purchase for US$3.5 million), but the 15% interest carried through to completion of the feasibility study (the “Carried Interest”) is only repayable as indicated above if there is an operation at Cascabel. Consequently, because there is uncertainty about the completion of a positive feasibility study no provision for a contingent liability for the repayment of the Carried Interest has been recorded in the Consolidated Statement of Financial Position.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Property and equipment*

The Company reviews the estimated useful lives of property and equipment at the end of each reporting period to ensure assumptions are still valid as well as for indicators of impairment and makes judgments about the recoverable amounts.

- *Receivables*

The Company reviews its receivables on a regular basis and makes estimates of any amounts which are not expected to be collected. If such doubt exists, an allowance for doubtful accounts will be recorded.

- *Share-based payments and warrants*

The Company makes certain estimates and assumptions when calculating the fair values of stock options and warrants granted. The significant assumptions used include estimates of expected volatility, expected life and expected risk-free rate of return. Changes in these assumptions may result in a material change to the amount recorded for the issuance of stock options and warrants.

- *Fair value of investment in securities not quoted in an active market*

Where the fair values of financial assets and liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. Refer to notes 7 and 10 for further details.

- *Estimation of decommissioning and restoration costs and timing of expenditures*

Management is not aware of any material restoration, rehabilitation and environmental provisions as at December 31, 2019 and 2018. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value and these estimates are updated at least annually. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of a mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

New IFRS Standards

During the year ended December 31, 2019, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 16 and IFRIC 23. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease-related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The adoption of this accounting policy did not have an impact on the Company's consolidated financial statements.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates.

4. FUTURE ACCOUNTING CHANGES

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 3 – Business Combinations ("IFRS 3") was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

5. CAPITAL MANAGEMENT

The capital structure of the Company consists of equity comprised of share capital, warrants, reserves and deficit. The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral assets.

(Expressed in Canadian Dollars)

5. CAPITAL MANAGEMENT (Continued)

The properties in which the Company has or is earning an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. Subject to availability of funding,

the Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geological or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis. The Company is not subject to externally imposed capital requirements.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2019, and 2018. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As at December 31, 2019, the Company believes it is compliant with the policies of the TSXV.

6. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 – valuation techniques based on inputs that are quoted prices or similar instruments in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – valuation techniques with significant unobservable market inputs.

Level 3 financial instruments

The value of the Company's 15% interest in ENSA is classified as FVOCI. The Company has a long-term investment in ENSA, which is a private company with no quoted price in active markets and has therefore been classified as a level 3 fair value measurement.

The following table presents the change in fair value measurements of financial instruments classified as Level 3 for the years ended December 31, 2019, and the year ended December 31, 2018. These financial instruments are measured at fair value utilizing non-observable market inputs. The net unrealized losses and net unrealized gains are recognized in the other comprehensive income / (loss).

Investments, fair value	**Year Ended December 31, 2019**	**Year Ended December 31, 2018**
Balance, beginning of year	$ 103,600,000	$ 125,757,292
Changes in valuation	(31,600,000)	(22,157,292)
Balance, end of year	**$ 72,000,000**	**$ 103,600,000**

6. FINANCIAL INSTRUMENTS (Continued)

Within Level 3, the Company includes private company investments which are not quoted in an active market. The key assumptions used in the valuation of these instruments include (but are not limited to) the in situ value of copper based on the valuation reports prepared by independent valuators, SolGold and where available ENSA company-specific information, trends in the exploration market as well as significant fluctuations in commodities, and the share performance of comparable publicly-traded companies.

As the valuation of investments for which market quotations are not readily available are inherently uncertain, the values may fluctuate materially within short periods of time and are based on estimates, and determinations of fair value may differ materially from values that would have resulted if a ready market existed for the investments.

Management of the Company engaged an independent valuation firm to prepare a valuation of the investment in ENSA based primarily on the updated Alpala Maiden Mineral Deposit ("AMMD") as issued by SolGold Plc ("SolGold") dated November 7, 2018 and a Preliminary Economic Assessment (PEA) dated May 20, 2019 along with a 43-101 Report issued by SolGold on June 28, 2019. Secondary factors which were considered in the valuation included but were not limited to Cornerstone Capital Resources Inc. and SolGold PLC's unaudited financial statements for the periods ended December 31, 2019, and Public information with respect to mineral properties, foreign exchange rates and market dynamics.

The valuation firm provided Cornerstone with valuation methods in which there was sufficient information to determine a reasonable value for the investment in ENSA. The valuation firm based its conclusion on the valuation of ENSA using the Comparable Public Company approach and based on the enterprise value of SolGold. This approach provided Cornerstone with a range in which a reasonable valuation for ENSA would fit. Management selected a valuation of ENSA that was within the range provided in the valuation report.

Comparable Public Company Approach

The premise underlying comparable public company analysis is that the value of a mineral property can be estimated by analyzing the enterprise value of the public companies which operate similar companies or assets under similar circumstances. The value of the properties are assessed as a metric of enterprise value per copper equivalent pound, which is a risk adjusted metric of the reserves and resources contained within a given company's mine site(s).

When performing a comparable public company analysis, it is necessary to identify representative public companies. In determining the comparability of public companies, factors such as the primary ore, location, development stage, reserves and resources, grade, infrastructure and accessibility for the underlying commodity must be taken into consideration.

The valuation firm concluded that the most comparable public company was SolGold, which holds the 85% interest in the ENSA project. As a result, the market multiple of SolGold's enterprise value per risk adjusted in situ copper pound identified drove the valuation range concluded in the report.

Historical transaction multiple approach

The valuation firm performed market research to identify historical transactions where properties similar to Cascabel were acquired. The key considerations in identifying comparable properties were as follows:

6. FINANCIAL INSTRUMENTS (Continued)

- Exploration stage
- Primary metal is copper
- National Instrument 43-101 resources technical report has been prepared prior to the transaction.

The valuation firm concluded that none of the companies or assets identified in the historical transaction search were as comparable to the ENSA investment, as that of SolGold identified in the comparable public company market approach.

The valuation of ENSA is based on the comparable public company multiple implied by the enterprise value of SolGold. The result was a value per risk adjusted in situ copper pound ranging from $0.026 to $0.028. This value was then subject to a marketability discount ranging from 0% to 10%. The model is most sensitive to the in situ price of copper as determined through analysis of the market capitalization of SolGold.

As at December 31, 2019, a 10% increase/decrease in the situ price per pound of Copper would result in an increase/decrease in the fair value estimate of ENSA of approximately $5.63 million keeping all other variables constant. As at December 31, 2019, a change in the marketability discount of 10% (increase to 10%) would result in a decrease in the fair value estimate of ENSA of approximately $7.6 million keeping all other variables constant.

While this illustrates the overall effect of changing values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonable possible alternative assumptions may differ. The sensitivity analysis is intended to reflect the significant uncertainty inherent in the valuation of private investments under current market conditions, and the results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the estimated fair value of these investments. Furthermore, the analysis does not indicate a probability of changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

Management continues to believe that the market approach is the most appropriate approach in consideration of various factors including the volatility in the situ value per pound of copper.

Based on the enterprise value of SolGold, the valuation firm has calculated the implied mine value of the Cascabel project using the following key inputs:

- Risk adjusted CuEq lbs of 18,537 MMlbs
- Value attributable to Cascabel $/lbs ranging from 66% to 73%
- Adjusted $/lbs ranging from $0.026 to $0.028
- Marketability discount ranging from 0% to 10%

During the years ended December 31, 2019 and 2018, the Company maintained the same valuation technique for the valuation of ENSA.

The following table presents the fair value, categorized by key valuation techniques and unobservable inputs used within Level 3 as at December 31, 2019, and 2018.

(Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS (Continued)

Description	Period	Estimated Fair value ($)	Valuation technique	Significant unobservable input(s)	Range of significant unobservable input(s)
ENSA	December 31, 2019	72,000,000	Modified market approach	In situ value per pound of copper	$0.026 - $0.028
ENSA	December 31, 2018	103,600,000	Modified market approach	In situ value per pound of copper	$0.031 - $0.038

Management continues to believe that the modified market approach is the most appropriate approach in consideration of various factors including the volatility in the situ value per pound of copper.

The Company has no liabilities recorded at fair value on December 31, 2019, and 2018. The carrying value of the Company's liabilities approximates its fair value due to the short-term nature. The Company does not have any level 2 fair value measurements, and there have been no transfers between levels in 2019 and 2018.

As at December 31, 2019	Level 1	Level 2	Level 3	Total financial assets at fair value
Financial assets	$	$	$	$
Short-term Marketable securities	382	-	-	382
Long-term marketable securities	60,111,027	-	-	60,111,027
Long-term investment	-	-	72,000,000	72,000,000
	60,111,409	-	72,000,000	132,111,409

* Refer to note 8 for further information on the marketable securities and note 10 for further information on long-term investments.

As at December 31, 2018	Level 1	Level 2	Level 3	Total financial assets at fair value
Financial assets	**$**	**$**	**$**	**$**
Short-term marketable securities	248	-	-	248
Long-term marketable securities	102,093,548	-	-	102,093,548
Long-term investment	-	-	103,600,000	103,600,000
	102,093,796	-	103,600,000	205,693,796

* Refer to note 8 for further information on the marketable securities and note 10 for further information on long-term investments.

Financial Risk Factors

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Company's policies on an ongoing basis to ensure that these risks, which are summarized below, are appropriately managed:

(Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its counterparties to fulfill their obligations on maturity periods or due to adverse market conditions. The Company's financial assets exposed to credit risk are primarily composed of cash, and accounts receivable (trade and other). Maximum exposure is equal to the carrying values of these assets. The Company's cash is held at several large financial institutions. Funds are kept in Canadian banks and transferred as needed to Ecuador and Chile, which have experienced political and economic stability for many years, and whose banking systems and standards for professional services are comparable to those in North America.

The Company's high-grade receivables are with the Canadian government and other recognized, creditworthy third parties.

As at December 31, 2019	Neither past due nor impaired High grade	Standard grade	Past due or Individually impaired	Total
Cash and receivables:	$	$	$	$
Cash and cash equivalents	851,780	–	–	851,780
Other receivables(1)	429,781	–	–	429,781
	1,281,561	–	–	1,281,561

(1) Other receivables exclude sales tax receivable of $111,928

As at December 31, 2018	Neither past due nor impaired High grade	Standard grade	Past due or Individually impaired	Total
Cash and receivables:	$	$	$	$
Cash and cash equivalents	3,883,299	–	–	3,883,299
Other receivables(1)	267,546	–	–	267,546
	4,150,845	–	–	4,150,845

(1) Other receivables exclude sales tax receivable of $94,680

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As at December 31, 2019, the Company had a cash balance of $851,780 (December 31, 2018 - $3,883,299) to settle current liabilities of $962,178 (December 31, 2018 - $274,431). To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through equity or partnering transactions. All the Company's financial liabilities are normally paid within 30 days and are subject to normal trade terms. The Company has no significant source of operating cash flow to fund its exploration and development projects. Funding for projects requires equity or debt financing. The Company has limited financial resources and there is no assurance that funding will always be available to allow the Company to fulfill its obligations on existing or future exploration projects.

6. FINANCIAL INSTRUMENTS (Continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and equity prices will affect the Company's income or the value of its financial instruments.

Interest rate risk – As at December 31, 2019, and 2018, the Company does not have any cash balances subject to interest rate risk. The Company's current policy is to invest excess cash in interest bearing deposit accounts or guaranteed investment securities with its financial institutions.

Price risk – The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

The Company monitors commodity prices of gold, copper and other metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company believes that both commodity and equity price movements can have a substantial effect on the market value of the Company's investments. Such price movements are monitored by the Company.

Foreign exchange risk - The Company transacts business in U.S. dollars, the currency of Ecuador, and therefore is subject to foreign exchange risk on U.S. dollar receivables, trade payables and cash balances. The Company attempts to mitigate these risks by managing its U.S. dollar inflows and outflows. No hedging instruments have been used by the Company, however, depending upon the nature and level of future foreign exchange transactions, consideration may be given to the use of hedging instruments. The Company believes that it adequately manages its foreign exchange risk, and the risk is minimal. The following table shows the net exposures in USD dollars.

	December 31, 2019 (USD) ($)	December 31, 2018 (USD) ($)
Cash	**623,104**	238,632
Receivables	**214,710**	361,506
Trade payables and accrued liabilities	**(462,394)**	(121,925)
Net US dollar exposure presented in CAD	**375,420**	478,213

Based upon the above net exposures to US dollars, as at December 31, 2019, a 10% change in the value of the US dollar to the Canadian dollar exchange rate would impact the Company's net income or loss by approximately $37,500 (December 31, 2018 - $47,800).

Sensitivity analysis

As at December 31, 2019, and 2018, the Company has an equity investment in Rambler Metals and Mining, which is listed on TSX Venture Exchange and the Alternative Investment Market ("AIM") on the London Stock Exchange, and SolGold Plc, which is listed on Toronto Stock Exchange and AIM.

(Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS (Continued)

A 20% change in value of these investments as at December 31, 2019, would result in an increase or decrease in net comprehensive income and the carrying value of the investments of $12,022,000 (December 31, 2018 - $20,418,000).

The carrying amount of cash, receivables, trade payables and accrued liabilities approximate fair value due to their short-term nature.

7. MARKETABLE SECURITIES

The marketable securities listed below are recorded at estimated fair value based on quoted closing prices at the reporting date or the closing price on the last day the security traded if there were no trades at the reporting date. The amounts at which the Company's marketable securities could be disposed of may differ from carrying values based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Such differences could be material.

The short-term marketable securities were acquired through prior years option agreements. Market values of the investments are as follows:

Short-term marketable securities

	December 31, 2019	December 31, 2018
	$	$
Rambler Metals and Mining	**382**	248

There were no disposals and acquisitions of marketable securities during the years ended December 31, 2019, and 2018.

Long-term marketable securities

The following marketable securities were acquired by the Company as a long-term strategic investment and have been classified as long-term marketable securities:

	December 31, 2019		December 31, 2018	
	Number of Shares	**$**	Number of Shares	$
SolGold Plc	**169,326,838**	**60,111,027**	170,156,414	102,093,548

During the year ended December 31, 2019 the Company sold 829,576 (December 31, 2018 – Nil) shares of SolGold Plc for total proceeds of $279,013 (December 31, 2018 - $Nil) and recorded a loss on the sale of long-term marketable securities of $238,112 (December 31, 2018 - $Nil) in comprehensive (loss) income. The unrealized loss for the year ended December 31, 2019 is $73,065,395 (December 31, 2018 $6,843,260).

(Expressed in Canadian Dollars)

8. RECEIVABLES

	December 31, 2019	December 31, 2018
	$	$
Sales tax receivable	**111,928**	94,680
Other receivables	**429,781**	267,546
Total receivables	**541,709**	362,226

During the year ended December 31, 2019, the Company incurred exploration expenditures on its Bramaderos, Cana Brava and Tioloma and Chile properties which were charged back to its exploration partners Sunstone Metals Ltd and Newcrest International Pty Limited (note 10). As at December 31, 2019, the Company has an account receivable from Newcrest International Pty Limited of $151,701 (December 31, 2018 – receivable from Sunstone Metals Ltd. of $163,213) relating to its exploration partners.

9. LONG TERM INVESTMENTS

ENSA, which is owned by SolGold and Cornerstone, holds 100% of the Cascabel concession. Subject to the satisfaction of certain conditions, including SolGold's fully funding the project through to completion of a feasibility study, SolGold will own 85% of the equity of ENSA and Cornerstone will own the remaining 15% of ENSA. SolGold is funding 100% of the exploration at Cascabel and is the operator of the project. SolGold is entitled to receive 90% of Cornerstone's distribution of earnings or dividends from ENSA to which Cornerstone would otherwise be entitled until such time as the amounts so received equal the aggregate amount of expenditures incurred by SolGold that would have otherwise been payable by Cornerstone, plus interest thereon from the dates such expenditures were incurred at a rate per annum equal to LIBOR plus 2 per cent until such time as SolGold is fully reimbursed. Cornerstone is required to contribute its 15% of costs following completion of the feasibility study, subject to dilution for failure to do so (and if diluted below 10%, its interest will be automatically converted to a 0.5% NSR, which SolGold may purchase for US$3.5 million), but the 15% interest carried through to completion of the feasibility study (the "Carried Interest") is only repayable as indicated above if there is an operation at Cascabel. Consequently, because there is uncertainty about the completion of a positive feasibility study no provision for a contingent liability for the repayment of the Carried Interest has been recorded in the Consolidated Statement of Financial Position.

As at December 31, 2019, the estimated value of the long-term investment in ENSA was $72,000,000 (December 31, 2018 - $103,600,000). Refer to note 7 for details on the valuation of the investment in ENSA. As at December 31, 2019, the estimated deferred income tax liability related to the long-term investment in ENSA was $20,160,000 (December 31, 2018 - $29,008,000).

10. EXPLORATION AND EVALUATION EXPENDITURES

As at December 31, 2019, the Company holds several mineral concessions in Ecuador (in addition to the concessions held by ENSA). A summary of exploration and evaluation expenditures is as follows:

(Expressed in Canadian Dollars)

10. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

	Year ended	
	December 31, 2019	December 31, 2018
Geographical Area	**Exploration and Evaluation expenditures**	Exploration and Evaluation expenditures
	$	$
Chile	**4,092**	110,854
Ecuador	**2,933,792**	3,588,676
	2,937,884	3,699,530

Exploration expenditures incurred in Ecuador for the year ended December 31, 2019, have been reduced by $654,884 (December 31, 2018 - $1,565,655), respectively, and in Chile reduced by $106,762 (December 31, 2018 - $Nil), respectively, which were charged to the Company's exploration partners.

As at August 28, 2019, Sunstone has incurred $5,208,129 (US$3,986,585) of exploration expenditures on the Bramaderos property. As at August 28, 2019, Sunstone has acquired its initial interest in the Bramaderos property. The transfer of interest in the property was completed in April 2020.

On December 7, 2018, the Company and its wholly owned subsidiary Minera Cornerstone Chile Ltda. have signed an option and farm-in agreement with Newcrest International Pty Limited ("Newcrest"), a subsidiary of Newcrest Mining Limited (ASX: NCM) for Cornerstone's Miocene properties in Chile.

Newcrest has the option to earn up to a 75% interest in the project in stages, as follows:

- 18-month initial option period: making an up-front payment to Cornerstone of US$100,000 (received), and spending a minimum of $1.1 million (committed);
- Stage 1 (4 years): paying US$500,000 to Cornerstone and spending a further US$8 million (with a minimum of US$500,000 in each year to maintain the option) to earn a 51% interest in the project (such interest to be held through shares in a newly incorporated Chilean company);
- Stage 2 (2 years): paying US$650,000 to Cornerstone and completing a positive Preliminary Economic Assessment in accordance with National Instrument 43-101 on any target area in the project, to increase its interest in the project to 65% (Newcrest may extend Stage 2 to 3 years by paying Cornerstone US$250,000); and
- Stage 3 (2 years): incurring expenditures of US$100 million or completing a bankable feasibility study (BFS), whichever occurs first, to increase its interest in the project to 75% (Newcrest may extend Stage 3 by up to an additional 2 years by paying US$500,000 to Cornerstone for each 1 year extension).

If Newcrest earns a 75% interest, Cornerstone will have the option for 90 days to convert 5% (1/5th) of its 25% project equity into a 1% net smelter returns (NSR) royalty. Newcrest will have the right to buy down the royalty to 0.5% NSR at fair market value after delivery of the BFS.

Cornerstone's carried interest ends at the end of Stage 3 or sooner if Newcrest fails to complete any Stage after completing Stage 1 or if Newcrest elects not to proceed with Stage 2 or 3, following which Cornerstone will be required to contribute or suffer dilution of its participating interest according to a formula. If Newcrest completes Stage 1 and elects not to proceed to Stage 2, it will revert to a 49% non-controlling interest. Cornerstone's carried interest is not repayable out of project cash flows or otherwise.

10. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

Newcrest will receive a 10% management fee starting from December 7, 2018, (out of its own funding under the Agreement) during the 18-month initial option period noted above, and a 5% fee on total expenditures during Stages 1, 2 and 3 as outlined above.

On February 19, 2019, Cornerstone and its wholly owned subsidiary Cañabrava Mining S.A. have signed an option and farm-in Heads of Agreement with Newcrest International Pty Limited ("Newcrest"), a subsidiary of Newcrest Mining Limited (ASX: NCM) for Cornerstone's Caña Brava and Tioloma properties in Ecuador, targeting epithermal gold-silver and porphyry gold-copper deposits in south central Ecuador.

Subject to due diligence and negotiation of definitive documentation, Newcrest has the option to earn up to a 75% interest in this project in stages, as follows:

- Initial Option Period (runs from date of the definitive agreement until 18 months after receipt of Drilling Permit): making an up-front payment to Cornerstone of US$100,000 (received), and spending a minimum of US$2 million (committed);
- Stage 1 (4 years): paying US$500,000 to Cornerstone and spending a further $8 million (with a minimum of $500,000 in each year to maintain the option) to earn a 51% interest in the project;
- Stage 2 (2 years): paying $650,000 to Cornerstone and completing a positive Preliminary Economic Assessment in accordance with National Instrument 43-101 on any target area in the project, to increase its interest in the Project to 65% (Newcrest may extend Stage 2 an additional year by paying Cornerstone $250,000); and
- Stage 3 (2 years): incurring expenditures of $100 million or completing a bankable feasibility study (BFS), whichever occurs first, to increase its interest in the project to 75% (Newcrest may extend Stage 3 by up to an additional 2 years by paying $500,000 to Cornerstone for each 1 year extension).

If Newcrest earns a 75% interest, Cornerstone will have the option for 90 days to convert up to 10% (2/5th) of its 25% project equity into a net smelter returns (NSR) royalty at the rate of 5% equity per 1% NSR (with minimum conversion of 5% equity interest). Newcrest will have the right to buy down the royalty to 1.5% NSR at fair market value after delivery of the BFS.

Cornerstone's carried interest ends at the end of Stage 3 or sooner if Newcrest fails to complete any Stage after completing Stage 1 or if Newcrest elects not to proceed with Stage 2 or 3, following which Cornerstone will be required to contribute or suffer dilution of its participating interest according to a formula. If Newcrest completes Stage 1 and elects not to proceed to Stage 2, it will revert to a 49% non-controlling interest.
Cornerstone's carried interest is not repayable out of project cash flows or otherwise.

Newcrest will be the operator at its own cost during the Initial Option Period, for a 5% fee during Stages 1, 2 and 3, and at 3% fee thereafter.

11. SHAREHOLDERS' EQUITY

On July 12, 2019 the Company implemented a share consolidation where shareholders received 1 post-consolidation Common share for every 20 pre-consolidation Common shares held. The numbers of shares, options and warrants have been adjusted to reflect the consolidation.

A) Share Capital

Authorized

An unlimited number of common shares with no par value.

(Expressed in Canadian Dollars)

11. SHAREHOLDERS' EQUITY (Continued)

Issued and outstanding

	December 31, 2019		December 31, 2018	
	Number of Shares	**$**	Number of Shares	$
Common shares	**32,305,986**	**161,291,382**	31,767,732	159,753,640

2019 issuances

During the year ended December 31, 2019, 57,500 stock options were exercised for gross proceeds of $198,740. The stock options had an average exercise price of $3.46 per option and expiring up to November 15, 2021. As a result of the exercise of the stock options a total of $161,665 was transferred from contributed surplus to share capital.

During the year ended December 31, 2019, 196,834 warrants were exercised for gross proceeds of $466,497. The warrants had an average exercise price of $2.37 per warrant and expired up to May 12, 2021. As a result of the exercise of the warrants a total of $97,546 was transferred from warrants to share capital.

During the year ended December 31, 2019, the company issued 283,920 (2018 – 56,452) common shares to settle accounts payable aggregating $672,891 (2018 - $350,000) and incurred issuance costs of $59,389 (2018 - $326,036).

2018 issuances

On March 2, 2018, the Company completed a financing consisting of the issuance of 2,050,000 common shares at $4.00 per share for proceeds of $8,200,000. A total of $252,000 in finder's fees were paid by Cornerstone in connection with the private placement.

During the year ended December 31, 2018, 53,750 stock options were exercised for gross proceeds of $105,828. The stock options had an average exercise price of $1.97 per option and expiring up to November 15, 2021. As a result of the exercise of the stock options a total of $35,044 was transferred from contributed surplus to share capital.

During the year ended December 31, 2018, 131,559 warrants were exercised for gross proceeds of $340,010. The warrants had an average exercise price of $2.58 per warrant and expired up to May 12, 2021. As a result of the exercise of the warrants a total of $108,170 was transferred from warrants to share capital.

Preferred shares

The first and second preferred shares which have been authorized may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. No first or second preferred shares have been issued.

B) Stock options

The Company has an equity settled stock option plan under which options to purchase common shares in the Company may be granted to directors, officers, key employees and consultants of the Company.

(Expressed in Canadian Dollars)

11. SHAREHOLDERS' EQUITY (Continued)

On August 6, 2019, the Company issued 432,000 stock options to directors, officers and consultants of the company which are exercisable at $4.00 until August 5, 2024. The stock options vest in three tranches with 144,000 options vesting on grant 144,000 vesting nine months after grant and 144,000 vesting eighteen months after grant. The stock options have a Black-Scholes option pricing value of $1,582,178. Stock option expense is realized over the period the options are vesting and is recorded in profit or loss.

On September 12, 2018, the Company issued 827,500 stock options to directors, officers and consultants of the company which are exercisable at $4.30 until September 12, 2023. The stock options vest in three tranches with 275,833 options vesting on grant, 275,833 vesting nine months after grant and 275,834 vesting eighteen months after grant. The stock options have a Black-Scholes option pricing value of 3,132,150.

During the year ended December 31, 2019, the Company realized and recorded an expense of $2,131,226 (December 31, 2018 - $2,860,506) relating to stock options which vested in the current year.

The fair values of options granted during the year ended December 31, 2019, were estimated using the Black-Scholes option pricing model with the following weighted average assumption:

	2019	2018
Average share price at date of grant	$3.90	$4.30
Expected dividend yield	0.00%	0.00%
Expected share price volatility	126.00%	128.78%
Risk-free interest rate	1.21%	2.32%
Forfeiture rate	0%	0%
Expected life of options	5 years	5 years
Average exercise price at date of grant	$4.00	$4.30
Stock options granted	432,000	827,500
Black-Scholes fair value	$3.291	$3.785

During the year ended December 31, 2019, 57,500 options (2018 – 53,750) were exercised for gross proceeds of $198,740 (2018 - $105,828).

Details of the activity of the stock option plan are as follows:

	For the year ended December 31, 2019		For the year ended December 31, 2018	
	Number	**Weighted-Average Exercise Price**	Number	Weighted-Average Exercise Price
		$		$
Balance, beginning of the year	**2,169,675**	**4.60**	1,418,300	3.40
Granted during the year				
To employees, officers, directors and consultants	**432,000**	**4.00**	827,500	4.30
Exercised during the year	**(57,500)**	**3.00**	(53,750)	1.96
Expired	**(122,500)**	**3.70**	(22,375)	3.00
Cancelled by the Board of Directors	**(11,875)**	**4.30**	-	-
Balance, end of year	**2,409,800**	**4.55**	2,169,675	4.60
Exercisable, end of year	**1,851,175**	**4.55**	1,218,425	4.00

(Expressed in Canadian Dollars)

11. SHAREHOLDERS' EQUITY (Continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2019.

Grant date	Exercise price	Options outstanding	Contractual Life (years)	Options vested	Options unvested	Years remaining to maturity
29-Jan-15	$2.00	87,175	5	87,175	-	0.08
04-Jun-15	$2.00	2,500	5	2,500	-	0.43
14-Jun-16	$1.00	121,667	5	121,667	-	1.04
09-Aug-16	$2.20	136,250	5	136,250	-	1.61
15-Nov-16	$3.00	443,333	5	443,333	-	1.88
12-Jul-17	$9.50	375,000	5	375,000	-	2.53
12-Sep-18	$4.30	811,875	5	541,250	270,625	3.70
06-Aug-19	$4.00	432,000	5	144,000	288,000	4.60
		2,409,800		**1,851,175**	**558,625**	

The stock options have a weighted average remaining life of 2.98 years.

C) Warrants

Warrants have been issued by the Company in the course of issuing shares. Warrants are valued using the Black Scholes option-pricing model. These instruments are anti-dilutive.

	For the year ended December 31, 2019		
	Number	**Grant date Fair Value $**	**Weighted-Average Price $**
Balance, beginning of the year	**4,182,931**	**2,301,300**	**3.40**
Exercised	**(196,834)**	**(97,546)**	**(2.37)**
Expired	**(1,324,521)**	**(1,216,373)**	**(2.22)**
Balance, end of the year	**2,661,576**	**987,381**	**2.00**

	For the year ended December 31, 2018		
	Number	**Grant date** Fair Value $	Weighted-Average Price $
Balance, beginning of the year	4,314,490	2,409,470	3.40
Exercised	(131,559)	(108,170)	(2.60)
Balance, end of the year	4,182,931	2,301,300	3.40

(Expressed in Canadian Dollars)

11. SHAREHOLDERS' EQUITY (Continued)

D) Loss per share

During the year ended December 31, 2019, 2,661,576 warrants (December 31, 2018 – 4,182,931) and 2,409,800 options (December 31, 2018 – 2,173,425) were excluded from the computation of diluted loss per share as they were anti-dilutive.

12. RELATED PARTY TRANSACTIONS

The following represents a summary of transactions with parties under common control and shareholders for the years ended December 31, 2019 and 2018. The amounts are expensed as professional and administrative charges.

Brooke Macdonald, who serves as the Company's President and CEO, provided the Company with management consulting services. During the year ended December 31, 2019, Mr. Macdonald billed a total of $377,254 (December 31, 2018 - $357,003). The Company may terminate the contract without cause by paying the President and CEO 24 months' salary at any time.

Sabino Di Paola, who served as the CFO and Corporate Secretary for the Company up until December 31, 2018, provided the Company with management consulting services. During year ended December 31, 2019, Mr. Di Paola billed a total of $Nil (December 31, 2018 - $205,282), for accounting and management consulting services. Mr. Di Paola was not a related party in 2019.

David Loveys, who serves as a Director and effective January1, 2019, the Chief Financial Officer for the Company, provided the Company with management consulting services. During the year ended December 31, 2019, Mr. Loveys billed a total of $198,000 (December 31, 2018 - $43,275).

During the year ended December 31, 2019, non-management directors of the Company were paid/accrued stipends of $121,500 (December 31, 2018 - $130,000).

Compensation for the year ended December 31, 2019, for key management personnel, not included above, is $1,963,158 (December 31, 2018 - $2,795,222) which includes salary and other short-term benefits of $292,668 (December 31, 2018 - $390,803) and share-based payments of $1,670,490 (December 31, 2018 - $2,404,421). These amounts include consulting fees and benefits for the Company's Vice President, Exploration, group insurances for all management and share based payments for all management and directors.

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Years ended December 31,	
	2019	2018
	$	$
Changes in non-cash operating working capital		
(Increase) decrease in receivables	**(179,483)**	535,335
(Increase) in prepaid expenses	**(4,196)**	(29,934)
Increase (decrease) in trade payables and accrued liabilities	**659,783**	(180,881)
	476,104	324,520

(Expressed in Canadian Dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

During the year ended December 31, 2019, the value of the share-based payments and warrants exercised were $161,665 (2018 - $35,044) and $97,546 (2018 - $108,170) respectively.

During the year ended December 31, 2019, the Company settled accounts payable of $672,891 (2018 - $350,000) through the issuance of 283,920 (2018 – 56,451) common shares of the company.

During the year ended December 31, 2019, the Company sold 829,576 shares of SolGold Plc for total proceeds of $279,013. The Company had a loss on disposal of $238,112.

14. SEGMENT REPORTING

The Company has one reportable operating segment being that of acquisition, exploration and evaluation activities. All Ecuador exploration mineral claims are held by the Company's Ecuador subsidiaries with all costs incurred in the subsidiaries expensed to exploration and evaluation expenditures on the consolidated statement of operations. The Company's long-term investment is in an entity with mineral property interests in Ecuador.

The Company has the following non-current assets located in Canada, Chile and Ecuador:

	December 31, 2019	December 31, 2018
	$	$
Ecuador		
Property, plant and equipment	**239,941**	295,766
Long-term investment	**72,000,000**	103,600,000
Chile		
Property, plant and equipment	**11,404**	14,681
Canada		
Marketable securities	**60,111,027**	102,093,548
	132,362,372	206,003,995

15. CONTINGENCIES

There are three claims for alleged non-payment of annual mineral concession fees in Ecuador (relating to the relinquished Shyri SE, Shyri NE, and Rodeo concessions), payment of which CESA contends would have become due only after it formally relinquished the concessions and turned them back to the government following the 2008 Mining Moratorium in Ecuador when CESA was prohibited by law from working on the concessions. Shyri SE and Rodeo are in the 1st District Administrative Court in Quito, and Shyri NE case is in the Supreme Court. Shyri SE, Rodeo and Shyri NE do not in the aggregate amount to a material sum even if found due and owing in a final unappealable hearing or judgment, and the Company's lawyers in Quito at Tobar ZVS are monitoring the cases and hope to eventually resolve all of them to the satisfaction of CESA, although they cannot guarantee any result.

There is one administrative claim by the Ministry of Environment (ME) for the cost of remediating some moderate environmental disturbance, which the Company maintains was caused by illegal miners trespassing on CESA's La Rinconada concession. CESA contends that it formally notified the ME immediately upon

(Expressed in Canadian Dollars)

15. CONTINGENCIES (Continued)

becoming aware of the presence of the illegal miners and that the damages were done following the giving such notice. At the present time the Company's Ecuadorean legal counsel believes that the Company's claim has enough merit to be successful in the Court, although they cannot guarantee any result. No amounts have been recorded in the consolidated financial statements regarding these contingencies.

Environmental contingencies: The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. The Company conducts its operations to protect public health and the environment and believes that its operations are materially in compliance with all applicable laws and regulations.

16. COMMITMENTS

(a) See note 13 for the commitments under agreements with the management.

17. INCOME TAXES

(a) Deferred income taxes

Recognized deferred tax assets and liabilities:

	December 31, 2019	December 31, 2018
Recognized deferred income tax asset and (liabilities):	**$**	$
Investment	**(20,160,000)**	(29,008,000)
	(20,160,000)	(29,008,000)

Tax-effected deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributable to the following:

	December 31, 2019	December 31, 2018
	$	$
Unrecognized deferred income tax asset:		
Tax loss carryforwards	**21,446,000**	19,204,000
Financing costs and other	**349,000**	457,000
Exploration and evaluation assets	**2,782,000**	2,782,000
	24,577,000	22,443,000

The realization of benefits related to these future potential tax deductions is uncertain and cannot be viewed as probable. Accordingly, no net deferred income tax asset has been recognized for accounting purposes.

To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

(Expressed in Canadian Dollars)

17. INCOME TAXES (Continued)

(b) Income tax rate

The Company's effective tax rate differs from the statutory rate of 26.5% (2018 – 26.5%) for income tax through other comprehensive income as follows:

	2019	2018
	$	$
Income tax at statutory rate	**17,080,710**	1,848,786
Tax assets not recognized	**344,852**	582,537
	17,425,562	2,431,323

The Company's effective tax rate differs from the statutory rate of 26.5% (2018 – 26.5%) for income tax expense as follows:

	2019	2018
	$	$
Income tax recovery at statutory rate	**(1,149,000)**	(1,324,000)
Stock-based compensation not deductible for tax purposes	**565,000**	758,000
Non-recognition of deferred tax assets due to unused tax losses and deductible temporary differences, expiration of losses and change in tax rates	**584,000**	566,0000
Effective tax rate	**-**	-

(c) Canadian non-capital losses and other Canadian deductible temporary differences

The Company also has available unclaimed Canadian exploration expenses and Canadian development expenses of approximately $5,176,000 and $1,303,000 respectively, which may be deducted in determining taxable income of future years.

The Company has not recognized the potential income tax benefits related to the losses, Canadian exploration expenses, Canadian development expenses, foreign exploration and development expenses, and other deductible temporary differences.

The Company also has available exploration and development expenses incurred in foreign jurisdictions which can be deducted from taxable income of future years in those jurisdictions.

The Company has Canadian non-capital losses approximately amounting to $ 21,446,000 which are available to reduce future taxable income.

18. EVENTS AFTER THE REPORTING PERIOD

COVID-19

Subsequent to December 31, 2019, the Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.