



**Management's Discussion & Analysis of  
Financial Conditions & Results of Operations  
For the Three and Nine Months Ended September 30, 2019**

## **CORNERSTONE CAPITAL RESOURCES INC.**

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*The following management's discussion and analysis, dated November 28, 2019, should be read in conjunction with Cornerstone Capital Resources Inc. (the "Company" or "Cornerstone")'s unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended September 30, 2019, as well as the audited consolidated financial statements and related notes for the year ended December 31, 2018. All dollar amounts are stated in Canadian dollars, unless otherwise noted.*

*This discussion includes certain statements that may be deemed forward-looking statements. All statements in this discussion, other than statements of historical facts, that address exploration drilling, exploration activities and events or developments that Cornerstone expects are forward-looking statements. Although Cornerstone believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and investors are cautioned that actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include market prices, exploration, continued availability of capital and financing and general economic, market or business conditions.*

### **Description of Business**

Cornerstone 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% shareholding 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.

As at September 30, 2019 and December 31, 2018, the Company and its subsidiaries had a total of 16 concessions in Chile and five concessions in Ecuador (not counting the Cascabel concession held by ENSA). The Company's five concessions in Ecuador (not counting the Cascabel concession held by ENSA) are Bella Maria, Caña Brava, Shyri NW (containing the Vetas Grandes target), Bramaderos, and Tioloma (adjacent to Caña Brava). On March 6, 2017, the Company announced that its strategic partner, Ecuador State Mining Company ENAMI EP ("ENAMI"), had been granted eight mineral concessions totalling more than 37,182 hectares in Imbabura and Carchi provinces in the same area as the Cascabel and the Llurimagua concessions, for exploration under a strategic alliance between Cornerstone Ecuador S.A. ("CESA"), an Ecuadorian subsidiary of Cornerstone, and ENAMI (described below). A ninth concession in the same area was later added to the strategic alliance. The nine concessions are grouped into three concession blocks, Espejo (4 concessions northeast of Cascabel), and Playa Rica (2 concessions) and Rio Magdalena (3 concessions) both southwest of Cascabel.

ENAMI is 100% owned by the Ecuadorian state and the Company has an earn-in option right related to these concessions (described below).

## **Results of Operations**

### ***For the three and nine months ended September 30, 2019 and 2018.***

During the three and nine months ended September 30, 2019, the Company had a net loss before other comprehensive loss of \$2,135,941 and \$5,695,176 compared to a net loss before other comprehensive income of \$2,747,373 and \$6,226,841 for the three and nine months ended September 30, 2018 respectively. During the three and nine months ended September 30, 2019, the Company had other comprehensive (loss) income of (\$48,229,898) and (\$58,438,983) compared to \$42,537,380 and (\$56,125,904) for the three and nine months ended September 30, 2018, respectively. The other comprehensive loss relates to the change in valuation of the long-term investment in ENSA and the SolGold plc (“SolGold”) marketable securities from one quarter to the next. Refer to the financial statements for the three and nine months ended September 30, 2019, as well as the year ended December 31, 2018, for more details regarding the change in valuation as well as the valuation method used to determine the value of the investment in ENSA.

Expenses from the operations of the Company during the three and nine months ended September 30, 2019, were \$2,300,129 and \$6,035,336 compared to \$2,773,343 and \$6,348,273 for the three and nine months ended September 30, 2018. The most notable variances in expenses from the three and nine months ended September 30, 2019 compared to 2018 are:

***Exploration and evaluation expenses*** were \$863,264 and \$2,209,639 for the three and nine months ended September 30, 2019 compared to \$954,770 and \$1,868,822 for the same periods in 2018. The variances are due to the timing of the work programs, properties being advanced as well as the size of the current exploration programs compared to those performed in the prior year. As the current programs are based on the previous programs’ results as well as previously collected data on the Company’s projects, the size of the current program is budgeted to meet the exploration goals for the current year and not based on requirements for spending a fixed amount on annual exploration (see Exploration Outlook on page 12). As a result, the exploration expenditures in 2019 were greater than in 2018.

***General & Administrative expenses*** were \$159,223 and \$419,691 for the three and nine months ended September 30, 2019 compared to \$131,639 and \$745,902 for the same period in 2018. The decrease during the nine month period is due to the fact that in 2019 the Company was able to reduce overhead costs at its office in Quito compared to 2018, as well as recouping administrative costs from exploration farm-in funding partners this year. During 2019 the Company had allocated a greater amount of general & administrative costs to exploration expenditures as more resources in Ecuador were focussed on exploration and advancement of the mineral exploration claims in 2019 than compared to 2018.

***Share-Based Payments*** were \$987,885 and \$1,915,929 for the three and nine months ended September 30, 2019 compared to \$1,384,058 and \$2,172,481 for the same period in 2018. The increases are due to a larger number of options granted in the fourth quarter of 2018, compared to 2017, which partially vested during 2019.

**Accounting, audit and legal fees** were \$42,907 and \$835,653 for the three and nine months ended September 30, 2019, compared to \$37,559 and \$905,445 for the same period in 2018. The increase is primarily due to increased legal and advisory fees relating to: (1) the share consolidation and; (2) legal defence (including adoption of a shareholder rights plan) against a proposed hostile takeover first announced by SolGold Plc on January 29, 2019 (see news releases dated January 29, February 8 and March 8, 2019); and (3) a failed petition to the Constitutional Court in Ecuador by anti-mining groups seeking to hold a public consultation on mining activities in four parishes that included the Cascabel joint venture with SolGold and the Company's strategic alliance with Ecuadorian State Mining Company ENAMI (see news releases dated June 6 and June 20, 2019).

### **Exploration and evaluation assets**

Net exploration expenditures of \$863,264 (2018 - \$954,770) and \$2,209,639 (2018 - \$1,868,822) were incurred during the three and nine months ended September 30, 2019. Please also see text in the "Results of Operations Section" labelled *Exploration and evaluation expenses*.

<b>Geographical Area</b>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30, 2019</b>	<b>September 30, 2018</b>	<b>September 30, 2019</b>	<b>September 30, 2018</b>
	<b>Exploration and Evaluation expenditures</b>	<b>Exploration and Evaluation expenditures</b>	<b>Exploration and Evaluation expenditures</b>	<b>Exploration and Evaluation expenditures</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Chile	<b>6,031</b>	-	<b>8,970</b>	99,961
Ecuador	<b>857,233</b>	954,770	<b>2,200,669</b>	1,768,861
	<b>863,264</b>	954,770	<b>2,209,639</b>	1,868,822

Exploration expenditures incurred in Ecuador for the three and nine months ended September 30, 2019, have decreased by \$97,537 (September 30, 2018 – increased by \$644,460) and increased by \$431,808 (September 30, 2018 – \$810,139), respectively, and in Chile increased by \$6,031 (September 30, 2018 – reduced by \$4,423) and reduced by \$90,991 (September 30, 2018 – \$169,336), respectively, which were charged to the Company's exploration funding partners, Sunstone and Newcrest.

As at September 30, 2019, Sunstone has incurred \$5,516,070 (US\$4,586,498) of exploration expenditures on the Bramaderos property. As at September 30, 2019, Sunstone had spent the required amount to acquire its initial 51% interest in the property. The transfer of ownership is expected to be finalized during the fourth quarter 2019.

### **Financial Conditions, Liquidity and Capital Resources**

The Company as at September 30, 2019, had cash balances of \$1,332,789 (December 31, 2018 - \$3,883,299) and current liabilities of \$1,117,808 (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 of Cornerstone (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 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.

### **Outstanding Share Data**

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 (see news release dated July 11, 2019). The numbers of shares, options and warrants have been adjusted to reflect the consolidation.

As at September 30, 2019, the Company had 32,022,066 common shares outstanding. The Company had 2,474,050 options outstanding at September 30, 2019, at various exercise prices as shown in the following chart, and 2,661,576 warrants issued in connection with private placement financings.

The following table summarizes information about stock options outstanding and exercisable at September 30, 2019:

<b>Expiry date</b>	<b>Grant date</b>	<b>Exercise price</b>	<b>Options outstanding</b>	<b>Contractual Life (years)</b>	<b>Options vested</b>	<b>Options unvested</b>	<b>Years remaining to maturity</b>
29-Jan-20	29-Jan-15	\$2.00	87,175	5	87,175	-	0.33
04-Jun-20	04-Jun-15	\$2.00	2,500	5	2,500	-	0.68
14-Jun-21	14-Jun-16	\$1.00	121,667	5	121,667	-	1.71
08-Aug-21	09-Aug-16	\$2.20	133,750	5	133,750	-	1.86
15-Nov-21	15-Nov-16	\$3.00	442,083	5	442,083	-	2.13
12-Jul-22	12-Jul-17	\$9.05	375,000	5	375,000	-	2.78
12-Sep-23	12-Sep-18	\$4.30	811,875	5	541,250	270,625	3.95
05-Aug-24	06-Aug-19	\$4.00	500,000	5	166,666	333,334	4.85
			<b>2,474,050</b>		<b>1,870,091</b>	<b>603,959</b>	

The 122,500 options that were set to expire on March 5, 2019 were initially extended by an insider trading blackout under the Company's stock option plan as a result of the threatened hostile takeover bid by SolGold, and then expired out of the money on August 19, 2019 (see news release dated August 6, 2019).

On August 6, 2019, the Board of Directors of the Company approved the granting of 500,000 stock options to directors, officers, consultants and employees of the Company. These options have been priced at \$4.00 and have an expiry date of August 5, 2024.

### **Financial Instrument Risk**

The Corporation's financial assets and financial liabilities are exposed to various risk factors that may affect the fair value presentation or the amount ultimately received or paid on settlement of its assets and liabilities. A summary of the major financial instrument risks and the Corporation's approach to the management of these risks are highlighted below.

### *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 that 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.

As of the date of the MD&A, the Company's receivables are with the Canadian government and other recognized, creditworthy third parties.

### *Foreign currency 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 dollar accounts presented in Canadian dollars.

	<b>September 30, 2019 (\$)</b>	December 31, 2018 (\$)
Cash	<b>756,746</b>	238,632
Receivables	<b>401,383</b>	361,506
Trade payables and accrued liabilities	<b>(280,427)</b>	(121,925)
Net US dollar exposure presented in CAD	<b>877,702</b>	478,213

Based upon the above net exposures to US dollars as presented in Canadian dollars, as at September 30, 2019, a 10% change in the value of the US dollar to the Canadian dollar exchange rate would impact the Company's net loss by approximately \$87,800 (December 31, 2018 - \$47,000).

### *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 September 30, 2019, the Company had a cash balance of \$1,332,789 (December 31, 2018 - \$3,883,299) to settle current liabilities of \$1,117,808 (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 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.

#### *Other 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.

The value of the Company's 15% interest in ENSA is classified as an available-for-sale asset. 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.

Management of Cornerstone engaged an independent valuation firm to prepare a valuation of the investment in ENSA based primarily on the Alpala deposit updated Mineral Resource Estimate ("MRE#2") as issued by SolGold dated November 7, 2018 and described in a National Instrument 43-101 Technical Report filed at Sedar.com on January 3, 2019 (see below under Exploration Outlook, *Cascabel Joint Venture with SolGold*). Secondary factors which were considered in the valuation included but were not limited to Cornerstone and SolGold's unaudited financial statements for the periods ended December 31, 2018, SolGold's news release titled "SolGold Announces Intention to Make Offer to Acquire all outstanding common shares of Cornerstone Capital Resources Inc." dated January 31, 2019, and public information with respect to mineral properties, foreign exchange rates, and market dynamics. While the SolGold news release was not used in forming the valuation conclusion, it was considered in corroborating the primary valuation approach noted above.

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 average of the Historical Transaction approach, the Comparable Public Company approach and based on the enterprise value of SolGold. Management selected a valuation of ENSA that was within (and near the top of) 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 is 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:

Exploration stage

Primary ore 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.

#### Summary and conclusion:

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 \$0.023 to \$0.025. 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 September 30, 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 \$7.56 million keeping all other variables constant.

As at September 30, 2019, a change in the marketability discount of 0% (increase to 10%) would result in a decrease in the fair value estimate of ENSA of approximately \$6.98 million keeping all other variables constant.

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 18,729
- Value attributable to Cascabel \$/lbs ranging from 45% to 55%
- Adjusted \$/lbs ranging from \$0.023 to \$0.025



- Marketability discount ranging from 0% to 10%

Updated Valuation as at September 30, 2019

During the nine months ended September 30, 2019 and the year ended December 31, 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 September 30, 2019 (see Cornerstone news release dated November 22, 2019) and December 31, 2018.

Description	Period	Estimated Fair value (\$)	Valuation technique	Significant unobservable input(s)	Range of significant unobservable input(s)
ENSA	September 30, 2019	69,700,000	Modified market approach	In situ value per pound of copper	\$0.023 - \$0.025
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 had no liabilities recorded at fair value on September 30, 2019, and December 31, 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.

The following table presents the change in fair value measurements of financial instruments classified as Level 3 for the nine months ended September 30, 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).

	Nine months ended September 30, 2019	Year ended December 31, 2018
Investments, fair value		
Balance, beginning of year	\$103,600,000	\$ 125,757,292
Changes in valuation	(33,900,000)	(22,157,292)
<b>Balance, end of year</b>	<b>\$ 69,700,000</b>	<b>\$ 103,600,000</b>

Management reviewed the changes in the non-observable market inputs during the nine months ended September 30, 2019, and determined that there was a significant fluctuation in the values of these inputs used in the December 31, 2018, valuation and as a result there was a change in the valuation of the investment in ENSA.

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 valuers, 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.

#### *Interest rate risk*

As at September 30, 2019, and December 31, 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.

### **Related Party Transactions**

The following represents a summary of transactions with parties under common control and shareholders for the three and nine months ended September 30, 2019 and 2018. The amounts are expensed as professional and administrative charges.

Macdonald Consulting LLC, a service company owned by Brooke Macdonald, who serves as the Company's President and CEO, provided the Company with management consulting services. During the three and nine months ended September 30, 2019, Macdonald Consulting billed a total of \$94,191 (2018 - \$130,200) and \$283,302 (2018 - \$333,288) respectively. The Company may terminate the contract without cause by paying Macdonald Consulting an amount equal to 24 months' base consulting fee (US\$21,000 per month) 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 the three and nine months ended September 30, 2019, Mr. Di Paola billed a total of \$Nil (2018 - \$56,282) and \$Nil (2018 - \$160,282) respectively, for accounting and management consulting services.

David Loveys, who serves as a Director and effective December 31, 2018, the Chief Financial Officer for the Company, provided the Company with management consulting services. During the three and nine months ended September 30, 2019, Mr. Loveys billed a total of \$49,500 (2018 - \$Nil) and \$148,500 (2018 - \$Nil) respectively.

During the three and nine months ended September 30, 2019, non-management directors of the Company were paid/accrued, in total, stipends of \$29,625 (2018 - \$32,500) and \$93,375 (2018 - \$97,500) respectively.

Compensation for the three and nine months ended September 30, 2019, for key management personnel, not included above, is \$773,617 (2018 - \$1,518,353) and \$1,444,673 (2018 - \$2,144,622) respectively, which includes salary and other short-term benefits of \$77,511 (2018 - \$137,062) and \$233,263 (2018 - \$297,780) and share-based payments of \$696,106 (2018 - \$1,381,291) and \$1,211,410 (2018 - \$1,846,841) respectively. 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.

## **Acquisition of Mineral Properties**

The Company's strategy is grass roots prospect generation followed by project level exploration to identify drill targets and obtain environmental and other necessary operational permits, usually with a partner that funds exploration costs beginning at the advanced exploration (drilling) stage. All properties under consideration for acquisition must initially pass through the Company's evaluation criteria. Properties considered worthy are then acquired, provided a reasonable agreement can be reached with the owner or the property is available for staking or acquisition upon application. In cases where the project does not develop to the stage that management perceives it to be likely to attract such financing or if subsequent work by the Company indicates that further in-house work will not yield favorable results, the property is returned to the owner or abandoned.

## **Off-Balance Sheet Arrangements**

At September 30, 2019 and December 31, 2018, the Company had no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

## **Property Agreements and Exploration**

The Company is engaged in the evaluation, acquisition and exploration of mineral properties in Ecuador and Chile. Some of the exploration activities of the Company are carried on with funding partners. The Company plans to ultimately develop the properties, bring them into production, option properties to third parties, or sell the properties outright. The Company typically uses an "earn-in" (also called farm-in) arrangement with partners, whereby the partner funds all the exploration expenditures in return for an escalating percentage ownership in the project.

Details of material property agreements are disclosed by news release at the time of formation. Updates concerning the results of ongoing exploration programs are also updated by news release. News releases issued by the Company, including those issued during the three months ended September 30, 2019, are archived at the Company's website [www.cornerstoneresources.com](http://www.cornerstoneresources.com). Regulatory filings are also available through [www.sedar.com](http://www.sedar.com).

## **Exploration Outlook**

### ***Cascabel Joint Venture with SolGold***

Funded by partner SolGold and targeting porphyry copper-gold deposits, our flagship Cascabel property in northern Ecuador has been the focus of a drilling campaign that produced results indicating the discovery of a large gold-enriched copper porphyry system.

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 feasibility, 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 shall 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 also owns 9.2% of the shares of SolGold, for a total direct and indirect interest in Cascabel of 22.8%.

On November 25, 2019, SolGold Plc announced that BHP had agreed to invest US\$22m in SolGold as 77m shares at 22.15p per share. Following the closing of this transaction, Cornerstone’s 170.2 million shares of SolGold will be diluted from the current 9.2% to 8.85%, and Cornerstone’s direct and indirect interest in the Cascabel project (including its 15% carried interest) from 22.8% to 22.5%

On November 20, 2018, Cornerstone announced the results of the Alpala deposit updated Mineral Resource Estimate (“MRE#2”), as follows: 2.05 billion tonnes (“Bt”) @ 0.60% copper equivalent (“CuEq”) (8.4 Mt Cu, 19.4 Moz Au) in the indicated mineral resource category, plus 900 million tonnes (“Mt”) @ 0.35% CuEq (2.5 Mt Cu, 3.8 Moz Au) in the inferred resource category, including a high grade core of 400 Mt @ 1.49% CuEq (3.6 Mt Cu, 11.9 Moz Au) indicated plus 20 Mt @ 1.05% CuEq (0.2 Mt Cu, 0.4 Moz Au) inferred. MRE#2 was reported using a cut-off grade of 0.2% CuEq, reflecting the reasonable potential for economic extraction by high production rate mass mining methods such as block caving. There is potential for further growth with the 2019 drilling campaign to continue to expand the deposit at Alpala SE, Alpala NW, Trivinio and Alpala Western Limb.

MRE#2 was estimated from 68,173 assays, with 66,739 assays representing diamond drill core samples, and 1434 assays representing rock-saw channel samples cut from surface rock exposures. Drill core samples were obtained from total of 133,576m of drilling comprising 128 diamond drill holes, including 75 drill holes (Holes 1-75), 34 daughter holes, 8 redrills, and 11 over-runs, and represents full assay data from holes 1-67 and partial assay data received from holes 68 to 75. Rock-saw samples were obtained from 2743m of rock-saw cuts from 262 surface rock exposure trenches. In contrast, the December 2017 Maiden Mineral Resource Estimate (“MRE#1”) was estimated from 26,814 assays obtained from 53,616m of drilling comprising 45 drill holes (Holes 1-33) including 10 daughter holes and 5 redrills.

Grade Category	Resource Category	Tonnage (Mt)	Grade			Contained Metal		
			Cu (%)	Au (g/t)	CuEq (%)	Cu (Mt)	Au (Moz)	CuEq (Mt)
Total >0.2% CuEq	Indicated	2,050	0.41	0.29	0.60	8.4	19.4	12.2
	Inferred	900	0.27	0.13	0.35	2.5	3.8	3.2
Mr. Martin Pittuck, MSc, Ceng, MIMMM, is responsible for this Mineral Resource estimate and is an "independent qualified person" as such term is defined in NI 43-101								
The Mineral Resource is reported using a cut-off grade of 0.2% copper equivalent calculated using [copper grade (%)] + [gold grade (g/t) x 0.63]								
The Mineral Resource is considered to have reasonable potential for eventual economic extraction by underground mass mining such as block caving								
Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability								
The statement uses terminology, definitions and guidelines given in the CIM Standards on Mineral Resources and Mineral Reserves (May 2014)								
The MRE is reported on 100 percent basis								
Values given in the table have been rounded, apparent calculation errors resulting from this are not considered to be material								
The effective date for the Mineral Resource statement is 7th November 2018								

**Table 1:** Overall Mineral Resource Statement for the Alpala Copper-Gold Deposit, effective November 7, 2018.

Cut off Grade (% CuEq)	Resource Category	Tonnage (Mt)	Grade			Contained Metal		
			Cu (%)	Au (g/t)	CuEq (%)	Cu (Mt)	Au (Moz)	CuEq (Mt)
0.10	Indicated	2,460	0.36	0.26	0.52	8.9	20.2	12.9
0.15	Indicated	2,290	0.38	0.27	0.55	8.8	19.9	12.7
0.20	Indicated	2,050	0.41	0.29	0.60	8.4	19.4	12.2
0.30	Indicated	1,500	0.49	0.37	0.73	7.4	17.8	10.9
0.45	Indicated	810	0.66	0.57	1.03	5.4	15.0	8.3
0.70	Indicated	490	0.84	0.83	1.37	4.1	13.0	6.7
0.90	Indicated	400	0.90	0.93	1.49	3.6	11.9	5.9
1.10	Indicated	200	1.13	1.36	1.99	2.2	8.7	3.9
1.50	Indicated	120	1.35	1.77	2.47	1.7	7.0	3.0
0.10	Inferred	1,380	0.22	0.11	0.28	3.0	4.7	3.9
0.15	Inferred	1,140	0.24	0.12	0.32	2.8	4.3	3.6
0.20	Inferred	900	0.27	0.13	0.35	2.5	3.8	3.2
0.30	Inferred	490	0.34	0.16	0.45	1.7	2.5	2.2
0.45	Inferred	150	0.49	0.26	0.65	0.7	1.2	1.0
0.70	Inferred	50	0.67	0.41	0.93	0.4	0.7	0.5
0.90	Inferred	20	0.72	0.52	1.05	0.2	0.4	0.2
1.10	Inferred	10	0.76	0.70	1.20	0.1	0.1	0.1
1.50	Inferred	-	-	-	-	-	-	-

**Table 2:** Mineral Resource Statement for the Alpala Copper-Gold Deposit expressed by a range in copper-equivalent cut-off grades, effective November 7, 2018. Refer to the explanation for Table 1 for description and qualifications that pertain to the resource statement.

A revised independent technical report for MRE#2 prepared in accordance with National Instrument 43-101 was filed on Sedar on January 3, 2019.

There remains strong potential for further growth with the 2019 drilling campaign to continue to expand the deposit at Alpala SE, Alpala NW, Trivinio and Alpala Western Limb. These target areas all fall within large magnetic inversion anomalies that are continuous with the magnetic anomaly encompassing the Alpala deposit, where the magnetic response is attributed to the strong correlation of magnetite with the chalcopyrite mineralization.

#### Updated Mineral Resource Estimate

On April 10, 2019, Cornerstone announced an update on the 2019 Alpala drilling campaign with the following highlights:

- 2019 drilling campaign along the greater Alpala trend providing further growth to the Alpala deposit at Alpala NW, Trivinio, Alpala Western Limb and Alpala South.
  - 189,984m of diamond drilling comprising 168 drill holes completed to-date on the Alpala Deposit, representing a further 56,408m of drilling completed since release of the updated mineral resource estimate announced November 20, 2018 (“MRE#2”, see below for link to Technical Report filed January 3, 2019), with 6,654m of recent drilling with assay results pending.

- Updates to in-house models, estimated from an additional 49,794m of diamond drilling since MRE#2, support expectations for resource growth across both indicated and inferred categories.
- Discoveries of previously unknown high grade (>1.5% CuEq<sup>1</sup>) and medium grade (>0.7% CuEq) mineralization intersected within existing low grade Inferred Resource areas at Alpala highlight ongoing upgrades to existing resource base at Trivinio (Hole 93), Alpala North (Hole 75), Alpala Northwest (Hole 86), and Alpala South (Hole 89).
- Drilling highlights:
  - Potential at Trivinio bolstered by Hole 93 intersection: 862m @ 0.43% CuEq (0.32% Cu, 0.16g/t Au, from 1314m depth, 345m true width<sup>2</sup>), 520m (true width 208m) of which lies outside the existing Inferred Resource area.
  - Alpala North mineralization remains open to the north, as shown by Hole 75 intersection: 1918m @ 0.53% CuEq (0.41% Cu, 0.19g/t Au, from 320m depth, 767m true width), 288m (true width 115m) of which lies outside the existing Inferred Resource area.
  - Discovery of previously unknown QD10 source intrusion at Alpala Northwest, intersected in Hole 86: 318m @ 0.67% CuEq (0.54% Cu, 0.22g/t Au, from 1052m depth, 127m true width, incl. 100m @ 1.34% CuEq), highlights potential for further significant resource extension as the 2019 drilling campaign continues.
  - Alpala South mineralization remains open to the south and towards surface, as revealed by Hole 89 intersection: 420m @ 0.61% CuEq (0.43% Cu, 0.30g/t Au, from 334m depth, 168m true width).
- Geotechnical, hydrogeological and sterilization drill testing commences at Cascabel, ahead of expected release of Preliminary Economic Assessment (PEA) report.

### Preliminary Economic Assessment

On May 20, 2019 SolGold and Cornerstone announced the results of the Preliminary Economic Assessment (“PEA”) for the Cascabel project.

A “preliminary economic assessment” or PEA means a study, other than a pre-feasibility or feasibility study, that includes an economic analysis of the potential viability of mineral resources. The PEA is

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<sup>1</sup> All references to copper equivalent (CuEq) grades are composed of copper and gold values, calculated using a gold conversion factor of 0.63, determined using an updated copper price of USD3.00/pound and an updated gold price of USD1300/ounce.

<sup>2</sup> True widths of down hole intersections are estimated by project operator and joint venture partner SolGold to be approximately 25-50%.

preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. A technical report for the PEA will be filed at [www.sedar.com](http://www.sedar.com) within 45 days of this news release, as required by National Instrument 43-101.

Key aspects and findings from this concept level study are summarized below.

**HIGHLIGHTS:**

- Net Present Value (“NPV”) estimates range from US\$4.1B to US\$4.5B (Real, post-tax, @ 8% discount rate, US\$3.30/lb copper price, US\$1,300/oz gold price and US\$16/oz silver price) depending on production rate scenario (see below)
- Internal Rate of Return (“IRR”) estimates range from 24.8% to 26.5% (Real, post-tax, US\$3.30/lb copper price, US\$1,300/oz gold price and US\$16/oz silver price) depending on production rate scenario
- Pre-production Capex estimated at approx. US\$2.4B to US\$2.8B depending on production rate scenario
- Payback Period on initial start-up capital – Range from 3.5 to 3.8 years after commencement of production depending on production rate scenario
- Preferred Mining Method – Underground low-cost mass mining using Block Cave methods applied over several caves designed on two vertically extensive Lifts
- Four alternative mine production cases have been pre-selected and assessed as part of the PEA – The Production Rate Scenario (see Mine Production Cases table below) proposed as the base case is Case 2b: 50Mtpa – Fast ramp-up:

Mine Production Cases	
Case	Life of Mine (years)
Case 1: 40 Mtpa	66
Case 2a: 50 Mtpa – Staged ramp-up	57
Case 2b: 50 Mtpa – Fast ramp-up	55
Case 3: 60 Mtpa	49

- Resources scheduled in the PEA block cave designs total 2.4Bt @ 0.54% CuEq ROM grade (0.36% Cu, 0.27g/t Au and 1.1g/t Ag), including:

- 89% of the MRE#2 Indicated Mineral Resources: 1.83Bt @ 0.61% CuEq ROM (0.41% Cu, 0.31g/t Au and 1.2 g/t Ag)
- 61% of the MRE#2 Inferred Mineral Resources: 0.55Bt @ 0.36% CuEq (0.27%Cu, 0.13g/t Au and 0.8g/t Ag)
- Annual Metal Production (average for the first 25 years) – Estimated at 207,000t of copper; 438,000oz of gold and 1.4Moz of silver in concentrate per year (based on the 50Mtpa mining scenario)
- Annual Metal Production (life-of-mine average) – Estimated at 150,000t of copper, 245,000oz of gold and 913,000oz of silver in concentrate per year
- High copper (28.2%), gold (22.1 g/t) and silver (65.7g/t) contents in sales concentrates.
- The high quality of the concentrates and the relatively low arsenic contents in comparison to a number of other major producers are expected to deliver a sales premium for the concentrates
- Activities for rest of 2019 will focus on continued exploration at Alpala, a further update to the Mineral Resource Estimate (MRE#3), metallurgy and process design, tailing disposal options and incorporation of further geotechnical and hydrogeological data into the study basis
- Permitting and fiscal discussions with the Ecuadorian Government to commence

On July 19, 2019, Cornerstone and SolGold announced the following updates:

- An additional 68,354m of drilling has been completed since the release of the updated Mineral Resource on November 20, 2018 (MRE #2)<sup>1</sup>. Over 201,930m of resource drilling has now been assayed ahead of the upcoming third Mineral Resource update (MRE #3).
- Resource extension drilling at the Alpala Deposit continues targeting extensions to high-grade outliers peripheral to it at Alpala Northwest, Trivinio, Alpala North, and Alpala Southeast, and with drilling also targeting mineralization at the newly identified Alpala Southwest area.
- Cascabel drilling fleet expanding - 15 drill rigs are expected to be active on the project by September 2019 as the Company bolsters its fleet, expediting the planned Alpala Deposit Pre-Feasibility Study (PFS).
- Drilling is focused on continued resource extension and infill drilling along the Alpala trend as well as geotechnical, hydrological, hydrogeological, metallurgical and petrophysical work.

MRE # 3 and the PFS are expected to be completed in or prior to the end of Q1 2020, with a definitive Feasibility Study scheduled for completion at the end of 2020.

Please see also Cornerstone news release dated October 28, 2019 - Cascabel Copper Gold and Silver Recovery Improvements Drive Modeled Revenue Increases.



## ***Strategic Alliance with Ecuadorian State Mining Company ENAMI***

On June 14, 2016, Cornerstone announced that CESA entered into an agreement with ENAMI, Ecuador's state mining company, creating a structure for ENAMI and CESA to prospect and explore for mineral projects in Ecuador using Cornerstone's proprietary geological data base (the “**ENAMI-CESA Strategic Alliance**”). The agreement replaced a letter of intent entered into between ENAMI and CESA and announced by Cornerstone on April 14, 2015. At the time the Company signed the letter of intent with ENAMI in 2015, the only way to gain access to new prospective ground in Ecuador was through ENAMI exercising its preferential right under the mining law. This situation changed in March 2016, as a result of the Government opening up vast areas of the country for concession applications. While the agreement is not an exclusive alliance and ENAMI is free to enter into similar arrangements with other companies, Cornerstone is the first, and, to the knowledge of Cornerstone, currently the only, non-state owned company to enter into such an exploration alliance with ENAMI.

On March 6, 2017, Cornerstone announced that on March 3, 2017 Ecuador's Ministry of Mining granted ENAMI eight concession titles in the Imbabura and Carchi provinces for exploration under the ENAMI-CESA Strategic Alliance. The eight concession titles total more than 37,182 hectares and are in the highly prospective Cascabel porphyry copper-gold district of northwest Ecuador, which hosts the Cascabel Project and the Llurimagua Project. On March 14, 2017, ENAMI was granted an additional concession called "Espejo 3", located approximately 10 kilometres east of the Cascabel concession in Carchi province and totaling 5,000 hectares, bringing the total number of concessions for exploration under the ENAMI-CSEA Strategic Alliance to nine.

In October 2018, Cornerstone completed an airborne magnetic and radiometric regional survey on its Espejo, Playa Rica and Rio Magdalena Blocks, which are currently under ENAMI-CESA Strategic Alliance.

The terms of the agreement with ENAMI are as follows (announced June 14, 2016):

In the First Phase, CESA will identify, at its own cost and risk, geologically prospective areas in parts of Ecuador (“Areas of Interest” or “AOIs”), and identify them to ENAMI, which will apply to the Ministry of Mining for a concession or concessions covering such areas. Once a concession has been granted, ENAMI and CESA will form a specific purpose corporation (the “SPC”). ENAMI will transfer the concession to the SPC as a capital contribution in return for a 16% shareholding in the SPC. CESA, employing its project generator business model, and a funding partner who will earn a majority interest in the projects (collectively, “CESA & Partner”), the exact percentage to be negotiated with CESA, will prospect the concession to identify the most prospective parts. CESA & Partner will have a collective 84% shareholding. In the short term, the Company may decide to use its own funds to advance exploration on the properties and define drill targets to add more value to the properties before seeking a funding partner.

The First Phase will be subdivided into: (i) Prospecting, with committed expenditures of \$5 per hectare within the AOI (e.g., \$100,000 per 20,000 hectares), (ii) Initial Exploration (up to 4 years including 18 months of prospecting), with optional expenditures of an additional \$600,000; (iii) Advanced Exploration, including drilling (up to 4 years), with optional expenditures of an additional \$4.3 million. Expenditures may be accelerated, amounts in excess in any period will be credited to the next succeeding periods, and shortfalls may be paid in cash to maintain the option in good standing. CESA & Partner

may abandon their option at any time, except during the prospecting portion of the First Phase where the \$5 per hectare expenditures are committed, delivering all technical information to ENAMI and arranging for a re-conveyance of the respective concessions to ENAMI from the SPC. ENAMI will have a “free” carried interest through to completion of a Bankable Feasibility Study, or “BFS”.

In the Second Phase, CESA & Partner will fund the SPC to commence Economic Evaluation (e.g., scoping, pre-feasibility and/or feasibility studies) (up to 2 years, renewable for up to an additional 2 years), incurring optional expenditures of an additional \$10 million. Total expenditures on each concession (which can by law cover an area up to 5,000 hectares) through completion of a BFS could total a minimum of \$15 million - i.e., \$100,000 or more in prospecting (assuming an AOI of 20,000 hectares), \$600,000 in Initial Exploration, \$4.3 million in Advanced Exploration, plus \$10 million during Economic Evaluation. In the event CESA & Partner make a Production Decision to construct a mine/mill and related infrastructure, ENAMI will have the option of financing the totality of its own participating interest or electing to have CESA & Partner finance the totality of ENAMI’s interest (including sustaining capital after commercial production is achieved) at cost of funds plus an agreed financing arrangement fee.

The Company has incurred expenditures in respect of the ENAMI-CESA Strategic Alliance totaling approximately CAD\$1,597,293 at June 30, 2019, all of which is exploration expenditures. Exploration work to date has consisted largely of geochemistry work (both soil and rock sample work), prospecting, and geological mapping.

<b>Concession</b>	<b>2019 Expenditures</b>	<b>Expenditures to date</b>
Ecuador NW	\$164,622	\$623,881
Espejo	\$188,709	\$470,997
Playa Rica	\$22,284	\$146,090
RIO MAGDALENA	\$374,030	\$704,661
Total	\$749,645	\$1,945,629

### *Other Exploration*

A number of concessions have been applied for in other provinces, most of them in Loja near Ecuador’s southern border with Peru, near the Bramaderos concession and the area previously explored jointly by Cornerstone and Newmont Mining Corporation. However, at the end of January 2018 the government suspended the applications of a number of companies, including Cornerstone’s applications. Cornerstone, together with other companies similarly affected and the Ecuadorian Chamber of Mines, is awaiting clarification from the government on the nature (temporary or permanent) of the suspensions. As of the date of this MD&A, the Ecuadorian “catastro” (staking and public bidding) system to acquire new concessions remains closed, and are not likely to re-open until Q1 2020 at the earliest. The suspensions do not affect any of Cornerstone’s other properties for which concessions have already been granted and recorded.

In addition to generative work, the Company will be making plans to advance the following projects (see Future Expenditure Requirements section below). Drill programs would typically include a 6-9 month period to carry out an Environmental Impact Study (EIS), a social license consultation process and water permitting followed by a 12-month, 5,000m to 7500m phase 1 drilling program.

***Bramaderos - Copper/Gold - (Cornerstone owns 100% - earn in agreement with Sunstone Metals)***

As noted above, on January 5, 2017, the Company's subsidiary La Plata Minerales S.A. (PLAMIN) was awarded the "Bramaderos" concession, a porphyry Au-Cu property located in the "Macara" area in Loja Province. On April 10, 2017 the Company announced it had entered into an earn-in agreement for Bramaderos with Avalon Minerals Inc., which subsequently changed its name to Sunstone Metals Inc. ("Sunstone"). Sunstone has earned a 51% interest in the project by spending US\$3.4 million to complete a phase 1 drill program (see news release dated August 28, 2019). Sunstone can go to 70% by funding a bankable feasibility study and can go to 80% by financing 100% of the cost of construction of a mine and mill (see news release dated April 10, 2017).

On August 28, 2019, the Company announced that Sunstone Metals Limited has met the required level of exploration expenditures to earn a 51% interest in the Bramaderos project in Ecuador.

Approximately 2/3 of the Bramaderos concession surface area is subject to an underlying 2% NSR in favor of a third party (the "2% NSR "). A \$50,000 annual advance royalty is payable to the NSR holder on and after the first anniversary of the delivery of a Positive Feasibility Study (as defined in the underlying agreement). One-half of the 2% NSR may be purchased for \$3 million, leaving the holder of the NSR with a 1% NSR.

Sampling results from the initial field program at Bramaderos were announced by Cornerstone on September 25, on October 17 and 18, and on November 8, 2017.

As noted in a news release dated May 9, 2018, longitudinal surface trenching results at the Bramaderos Main prospect, part of the Bramaderos Gold-Copper Project in Ecuador, have delivered the following assay results: 615m at 0.52g/t gold and 0.11% copper (including 123m at 0.55g/t gold and 0.17% copper), and 180m at 0.6g/t gold. The mineralized domain at Bramaderos Main measures at least 620m x 220m at surface and based on 2 historical drill holes has a vertical extent exceeding 300 m, with mineralization open laterally and at depth.

Acquisition of magnetic and radiometric data across the entire Bramaderos concession provides a key dataset that assists in mapping the geology (faults, alteration types and intrusions). These geophysical datasets underpin the definition and refinement of target areas for porphyry Au-Cu and epithermal Au-Ag mineralization when interpreted in conjunction with geochemical and geological data. These key datasets have been integrated in a GIS package and targets have been defined based on overlapping and complementary features. The datasets comprise 2-D processed heli-magnetics and radiometrics, current soil sampling results, geological mapping and trenching.

The defined areas of interest comprise 10 targets for porphyry Au-Cu and an additional 10 targets for epithermal Au-Ag.

This work has also defined a widespread and continuous area of alteration covering over 17 km<sup>2</sup> and extending up to 8km x 4km in dimension which coalesces around, and envelopes, many of these target areas. Some of the porphyry and epithermal targets overlap, which is to be expected from a technical perspective.

A water usage permit has been granted by the National Water Secretariat (SENAGUA).

On March 14, 2019 Cornerstone announced the approval of its environmental impact assessment (“EIA”) report by the Ministry of Environment. On April 8, 2019 Cornerstone announced the issuance of an environmental license which, together with the SENAGUA water permit, allows Cornerstone to drill Bramaderos during the 4-year advanced exploration stage of the project that began in January 2019 and beyond into the economic evaluation phase of the project.

Preparation of drill access tracks and drill pads at West Zone, Limon and Bramaderos Main was completed and a drill rig mobilized to site prior to receipt of the environmental license. As announced on April 18, 2019, drilling began at the Limon target on April 13, 2019.

Drilling updates during the 3<sup>rd</sup> quarter of 2019 were:

- July 2, 2019 (*Assays from Limon drill hole 2 indicate proximity to the core of a porphyry system - Bramaderos Main drill hole 1 completed at 670m and hole 2 in progress*),
- July 18, 2019 (*Strong assays received for upper portion of drill hole BMDD001 from the Bramaderos Main gold-copper prospect*), August 6, 2019 (*Farm-in Partner Sunstone to ramp up exploration with 2 rigs drilling at West Zone gold prospect and Limon gold-copper porphyry prospect*),
- August 20, 2019 (*Bramaderos Main drilling results define areas of higher-grade gold and copper within large porphyry system - Further drilling will aim to extend these higher-grade zones*),
- August 26, 2019 (*Bramaderos Main drilling results deliver higher grade intervals*),
- August 27, 2019 (*Updated exploration model indicates discovery potential at Bramaderos*), and
- October 15, 2019 (*Drilling at Limon target suggests major porphyry source nearby*).

<b>Concession</b>	<b>2019 Expenditures</b>	<b>Expenditures to date</b>
Bramaderos	\$2,023,615	\$5,516,070

***Shyri NW Concession (Vetas Grandes Prospect, - Gold/Silver - 100% Cornerstone)***

The Company believes its 100% owned “Shyri NW” concession, the site of the Vetas Grandes prospect, has the potential to host a significant epithermal style gold-silver deposit. In December 2017, the Company retained a local community relations coordinator to prepare a stakeholder map and action plan to carry out community consultations and obtain environmental approvals required to commence Phase 1 drilling at Vetas Grandes. The coordinator has been active since then, mapping stakeholders, meeting with local authorities and leaders and presenting the Company and the project. The Company began the EIA base line study in June 2018 and temporarily suspended the work in August 2018 to allow for further community engagement. Activities have been slowed down, however, due to the March 2019 provincial and municipal elections held in Azuay Province where Shyri NW is located, in order to not allow the project to become the focus of anti-mining politicians during the electoral campaigns. An anti-mining

Prefect (Governor) was elected in Azuay, as a result of which activities under the EIA are expected to be delayed and only slowly ramped up again in 2020 (see also the section on Ecuador under “Risks and Uncertainties” below).

Concession	2019 Expenditures	Expenditures to date
Shyri NW	\$20,332	\$999,426

Exploration work to date has consisted largely of geochemistry work (both soil and rock sample work), ground geophysics, prospecting, geological mapping and trenching to prepare the property for its first drill program.

***Caña Brava - Gold/Copper - (Cornerstone has the right to earn 100%)***

On April 22, 2019, Cornerstone announced that it and its Ecuadorian subsidiary Cañabrava Mining S.A. had signed a binding farm-in Letter 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 (the “Project”), targeting epithermal gold-silver and porphyry gold-copper deposits in south central Ecuador.

**HIGHLIGHTS (all \$ are US\$):**

- Newcrest has the option to earn up to a 75% interest in the 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 \$100,000, and spending a minimum of \$2 million (committed);
  - Stage 1 (4 years): paying \$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% (2/5<sup>th</sup>) 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.

On February 26, 2015, the Company announced results from prospecting and geological mapping surveys carried out during 2014 on Caña Brava. The surveys identified (1) two significant porphyry Cu-Au targets well defined by coincident geological, geochemical and ground magnetic anomalies, (2) an intermediate sulphidation, higher grade, epithermal Au-Ag-Cu veins-breccia system mapped on the northern margin of the porphyry targets, and (3) a high sulphidation epithermal Au-Ag system recognized in the northeast corner of the property. Subsequently, a trenching program was completed (20 trenches, 599 metres, 301 channel samples), spectrometry (Terraspec) work carried out on soil samples (552), rock chips and channel samples (706) and a Phase 1 drill program has been prepared.

An EIA was begun in July 2018, including an environmental base line study and consultation process. Base line study field work has been completed. Due to an approximately 2-year backlog in the review of EIAs for advanced stage exploration at the Ministry of Environment, Cornerstone and Newcrest decided to suspend work on the EIA and pursue an environmental registration for “scout (exploratory) drilling” under the regulations issued by the Ministry of Environment for this purpose in March 2019 (i.e., Ministerial Accord 020). Scout drilling would allow up to 30 drill platforms during the initial exploration phase of an exploration project. In April 2019 the Ministry published the Application Form to obtain an environmental registration the obtainment of which is a condition to benefit from the scout drilling program. During Q3 2019 Cornerstone and Newcrest filed an application for an environmental registration to undertake scout drilling at Caña Brava, but the application was returned by the Ministry of Environment with a request that it be re-submitted on-line as soon as the Ministry activates an on-line portal for scout drilling applications for “small-scale mining” concessions like Caña Brava, which the Ministry has promised to activate shortly.

The Company has the right to earn a 100% interest in the Caña Brava project in return for cash option payments each 6 months, starting at \$15,000 and increasing by \$5,000 increments to \$40,000 at month 42 and then continuing at that level until the Company decides to exercise the option by making a final balloon payment of \$350,000. The \$350,000 balloon payment may be made early, and the option exercised at any time, in which case the remaining semi-annual payments in the schedule do not have to be made (all amounts are US\$). The Company made the first option payment on signing the option contract, and then declared force majeure due to the 2008 Mining Mandate (Moratorium) in Ecuador and the recovery of the concession title during a long appeal process. Force majeure was lifted in 2014 resulting in limited exploration activities by the Company at Caña Brava, at which time the option

payments resumed again. The above option payments will be assumed or reimbursed by Newcrest as long as it holds an option under the farm-in Letter Agreement described above.

<b>Concession</b>	<b>2019 Expenditures</b>	<b>Expenditures to date</b>
Caña Brava	\$98,968	\$908,206
Monterrey	\$-	\$1,266
Total	\$98,968	\$909,472

Exploration work to date has consisted largely of geochemistry work (both soil and rock sample work), ground geophysics, prospecting, geological mapping and trenching to prepare the property for its first drill program. The Company is pursuing the environmental permitting necessary to undertake drill work at Caña Brava.

***Bella Maria – Gold (100% Cornerstone)***

On May 11, 2012, the Company announced that it has received authorization to resume activities on the Bella Maria project (adjacent to Lumina Gold’s (formerly Odin Mining) Greater Cangrejitos property) and provided a summary of results for exploration work carried out prior to the April 2008 Mining Moratorium. Initial results indicate that the property has excellent potential for hosting significant gold and copper mineralization. Stream sediment samples collected across the property are exceptionally anomalous in gold, and a large coincident gold- and copper-in-soil anomaly accompanied by porphyry style mineralization has been identified in the central part of the property. Seven mineralized prospects have been identified and a Phase 1 drilling program designed.

On October 2, 2014 the Company announced that (1) systematic exploration programs carried out in 2014 confirm previously defined extensive gold-copper-molybdenum in-soil anomalies, and (2) three new prospective areas have been defined for copper-gold mineralization.

<b>Concession</b>	<b>2019 Expenditures</b>	<b>Expenditures to date</b>
Bella Maria	\$13,788	\$581,362

Exploration work to date has consisted largely of geochemistry work (stream sediment, soil and rock sample work), prospecting and geological mapping to prepare the property for its first drill program.

Bella Maria requires an environmental registration permit before further exploration work can be undertaken. As is the case with Caña Brava, Bella Maria is classified as a “small-scale mining” concession, and the Ministry of Environment has not yet finalized the on-line procedures for obtaining an environmental registration permit for this type of concession, but have recently indicated they will do so in the near future so we can advance this property to the scout drilling stage.

***Tioloma – Gold (100% Cornerstone)***

Cornerstone acquired the Tioloma property in March 2017 for strategic purposes; the property wraps around three sides of the Caña Brava property, thereby enlarging, and effectively creating a protective area of interest around, the Caña Brava property. Approximately two months of limited prospecting work was completed on the Tioloma property, the results of which were not as prospective as expected. Given

the principally strategic impetus to acquire the Tioloma property and the limited exploration results to date, Cornerstone does not intend to conduct further exploration work at Tioloma at this time. Cornerstone has not allocated any of its own funds for exploration expenditures at the Tioloma property.

Tioloma is part of the farm-in agreement with Newcrest for Caña Brava (see Caña Brava section). The mining title is being transferred from the original owner, La Plata Minerales S.A. to Cañabrava Mining S.A.

<b>Concession</b>	<b>2019 Expenditures</b>	<b>Expenditures to date</b>
Tioloma	\$138,281	\$217,534

***Miocene – Gold - (Chile – 100% Cornerstone)***

The Miocene property lies adjacent to Mirasol Resources Ltd.’s (“Mirasol”) Titan project. Cornerstone’s concessions are located on an extension of the mineralized trend of the Titan Project and shares the same geology and surface indicators as the Titan project.

<b>Concession</b>	<b>2019 Expenditures</b>	<b>Expenditures to date</b>
Miocene	\$89,737	\$1,810,855

Exploration work to date has consisted largely of geochemistry work (both soil and rock sample work), prospecting and geological mapping to prepare the property for its first drill program.

On December 10, 2018 Cornerstone announced that it and its Chilean subsidiary Minera Cornerstone Chile Ltda. had signed an option and farm-in agreement (the “Agreement”) with Newcrest International Pty Limited (“Newcrest”), a subsidiary of Newcrest Mining Limited (ASX: NCM) for Cornerstone’s Miocene properties in Chile (the “Project”), targeting epithermal gold-silver and porphyry gold-copper deposits along the interpreted northern extension of the Maricunga magmatic belt that hosts several world-class gold deposits.

During the austral summer season Newcrest carried out geological mapping (scale 1:10,000), CSAMT resistivity tests, rock chip sampling, spectrometry and petrography work on the Miocene project.

It is planned that during 2019 Q3 and Q4 Newcrest will complete the geological mapping and geochemical sampling, the CSAMT survey, define drill targets and, if time permits, initiate a Phase 1 diamond drill program.

**HIGHLIGHTS (all \$ are US\$):**

- 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 \$100,000, and spending a minimum of \$1.1 million (committed);



- Stage 1 (4 years): paying \$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 (such interest to be held through shares in a newly incorporated Chilean company);
  - 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 to 3 years 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 5% (1/5<sup>th</sup>) 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.
  - Newcrest will receive a 10% management fee (out of its own funding under the Agreement) during the 18-month initial option period and a 5% fee during Stages 1, 2 and 3.

### ***Future Expenditure Requirements***

In order to keep the Company's concessions in Ecuador and Chile in good standing, the Company is required to pay concession fees totaling, from April 1, 2019 to March 31, 2020, approximately US\$182,500.

For the next 12 months, the Company has the following spending commitments on its projects:

- US\$182,500 on concession fees (discussed above – fees for Miocene & Caña Brava projects will be reimbursed by Newcrest);
- US\$80,000 cash option payments in respect of the Caña Brava project (to be reimbursed by Newcrest); and

- US\$50,000 as an advance royalty payable to the original owner of the Shyri NW (Vetas Grandes) concession.

The foregoing commitments are being funded through the Company's working capital.

As noted above, Cornerstone is pursuing the Ecuadorian environmental permitting necessary to undertake drill work at Caña Brava, the total costs for which Cornerstone expects to be approximately US\$50,000. Cornerstone expects to obtain the scout drilling permit within the next 12 months, the cost of which will be reimbursed by Newcrest. Vetas Grandes could take longer due to it being located in Azuay Province where there is considerable anti-mining sentiment. Additionally, Cornerstone will pursue an environmental registration for scout drilling at Bella Maria, which we estimate will cost up to approximately US\$30,000 and which Cornerstone expects would take approximately 2 months to obtain following the activation of the Ministry of Environment's on-line portal for environmental registration applications for small-scale mining concessions. All permitting costs are being funded from Cornerstone's working capital (subject to reimbursement of the Caña Brava costs by Newcrest).

Expenditures at Bramaderos are funded by Sunstone pursuant to the earn-in agreement between Cornerstone and Sunstone. Sunstone is now the operator of Bramaderos (having earned its initial 51% interest). While Cornerstone is not obligated to spend its own funds to complete any work at Bramaderos, any cash spent by Cornerstone must be reimbursed by Sunstone in accordance with the terms of the earn-in agreement.

### **Qualified Person**

The technical information contained in this exploration update has been reviewed and approved by Yvan Crepeau, P.Geo., Vice President Exploration of the Company. Mr. Crepeau is also president of Cornerstone Ecuador S.A., La Plata Minerales S.A., Cañabrava Mining S.A., Vetasgrandes Mining S.A., Bellamaria Mining S.A., Gestión-Minera GEMINSA S.A. (a wholly owned service company providing services to the other subsidiaries) and Minera Cornerstone Chile Limitada, and a Qualified Person in accordance with National Instrument 43-101.

### **Investor Relations Activities**

The Company continues to work at broadening its investor base through strategic marketing, attendance at a few key mining investment conferences such as the annual Prospectors and Developers Association of Canada (PDAC) conference, and on-going investor communications through timely news releases and regular targeted updates.

### **Risks and Uncertainties**

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many kinds of risks, including, but not limited to, operational, technical, environmental, labour, social, political, security, financial, economic, and metals pricing. Additionally, often due to factors that cannot be predicted or foreseen, few exploration projects successfully achieve development. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage risks to the extent possible and practicable.

The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business. The risks and uncertainties below are not listed in

order of importance, nor are they inclusive of all the risks and uncertainties the Company may be subject to, and therefore other risks may apply.

### ***The Speculative Nature of the Exploration of Natural Resource Properties***

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate or even mitigate. While the discovery of a mineral bearing structure may result in an increase in value for shareholders, few properties which are explored are ultimately developed into producing mines. The property interests owned by the Company are in the in the exploration stage only, are without known bodies of commercial mineralization and the Company has no ongoing production at any of them. There is no assurance that any of the concessions the Company explores or acquires will contain commercially exploitable reserves of minerals. Exploration for natural resources is a speculative venture involving substantial risk. Hazards such as unusual or unexpected geological formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability of the Company to obtain suitable machinery, equipment or labour are all risks involved with the conduct of exploration programs and the operation of mines.

### ***Early Stage Status and Nature of Exploration***

Reserve and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Except for Cascabel, in respect of which an updated inferred and indicated mineral resource estimate (MRE #2) was announced on November 20, 2018, the terms “Resource(s)” or “Reserve(s)” cannot be used to describe any of the properties in which the Company holds an interest (the “Other Properties”), due to the early stage of exploration at this time. Any reference to potential quantities and/or grade in respect of the Other Properties is conceptual in nature, as there has been insufficient exploration to define any mineral resource and it is uncertain if further exploration will result in the determination of any mineral resource. Quantities and/or grade described in any of the Company’s public disclosures should not be interpreted as assurances of a potential resource or reserve or of potential future mine life or of the profitability of future operations.

Few properties that are explored are ultimately developed into producing mines. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. The economics of exploring and developing mineral properties is affected by many factors, including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of mining and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection.

No assurance can be given that any particular level of recovery of minerals will be realized or that any potential quantities and/or grade will ever qualify as a resource, or that any such resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. Where expenditures on a property have not led to the discovery of mineral reserves, incurred expenditures will generally not be recoverable.

### ***Dependence on Exploration Stage Projects***

The only material property interest of the Company is its interest in the Cascabel project. As a result, any adverse developments affecting the Cascabel project could have a material adverse effect upon the Company and would materially and adversely affect the potential mineral resource production, profitability, financial performance and results of operations of the Company. While the Company may seek to acquire additional mineral properties that are consistent with its business objectives, there can be no assurance that the Company will be able to identify suitable additional mineral properties or, if it does identify suitable properties, that it will have sufficient financial resources to acquire such properties or that such properties will be available on terms acceptable to the Company or at all.

### ***Strategic Alliances***

The Company operates some of its properties through strategic alliances. The Company is therefore subject to the typical risks associated with such alliances, including disagreement on how to develop, operate or finance the project and contractual and legal remedies of the Company's partners in the event of such disagreements.

### ***Lack of Funding to Satisfy Contractual Obligations***

The Company may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party and the Company may have its property interests subject to such agreements reduced as a result or even face termination of such agreements. The Company has an agreement with SolGold with respect to the Cascabel project. Pursuant to the agreement, SolGold will finance the Company's 15% interest in the project to completion of a feasibility study on SolGold's schedule and budget. Cornerstone intends to finance its 15% of Cascabel expenditures following completion of a feasibility study, which would be only US\$150 million for each US\$1 billion of capital cost in the event of a positive feasibility study leading to a production decision. If Cornerstone fails to fund its proportionate share of ongoing expenditures following completion of the feasibility study and its interest is diluted below 10%, such interest would be converted to a 0.5% net smelter return ("NSR"). In the unlikely event Cornerstone were to dilute to a 0.5% NSR, SolGold would have the right to buy out this 0.5% NSR and other royalties on Cascabel for payments of US\$7.5 million (US\$3.5 million to buy out the Company's 0.5% NSR and US\$4 million to buy out an underlying 2% NSR to a third party). SolGold may recover the Company's financed costs to completion of the feasibility study at Libor plus 2% from 90% of the Company's share of the cash flows from the Cascabel project.

### ***Insurance and Uninsured Risks***

Mineral exploration involves risks, which, even with a combination of experience, knowledge and careful evaluation, mining exploration companies may not be able to overcome. Operations in which the Company has a direct or indirect interest may be subject to all the hazards and risks normally incidental to exploration of precious and non-precious metals, any of which could result in work stoppages, damage to property and possible environmental damage. The Company presently has very limited commercial liability insurance and does not intend to increase its liability insurance. As a result of having limited liability insurance, the Company could incur significant costs that may have a materially adverse effect upon its financial condition and even cause the Company to cease operations.

### ***Environmental Risks and Hazards***

All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation,

storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds an interest which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. No assurance can be given that potential environmental liabilities caused by past activities at the properties in which the Company holds an interest do not exist. In addition, some laws and regulations in Ecuador relating to protection of the environment may, in certain circumstances, impose strict liability for environmental contamination, which could result in liability for environmental damages and cleanup costs without regard to negligence or fault on the Company's part. The Company cannot give any assurances that breaches of environmental laws (whether inadvertent or not) or environmental pollution will not materially and adversely affect its financial condition. There is no assurance that any future changes to environmental regulation, if any, will not adversely affect the Company.

### ***Costs of Land Reclamation Risk***

It is difficult to determine the exact amounts which will be required to complete all land reclamation activities in connection with the properties in which the Company holds an interest. Reclamation bonds and other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation activities over the life of a mine. Accordingly, it may be necessary to revise planned expenditures and operating plans in order to fund reclamation activities. Such costs may have a material adverse impact upon the financial condition and results of operations of the Company.

### ***Land Title***

Although the Company has sought and received such representations as it has been able to achieve from vendors in connection with the acquisition of, or options to acquire, an interest in its mining properties and surface rights, and has conducted limited investigations of legal title to each such property, in accordance with industry standards for the current stage of exploration of such properties, the properties in which the Company has an interest may be subject to prior unregistered agreements or transfers or native land claims, or it is possible that title may be affected by undetected defects.

### ***Loss of Land Access***

Land access is critical for exploration and evaluation to succeed. In all cases the acquisition of prospective property interests is a competitive business, in which proprietary knowledge or information is critical and the ability to negotiate satisfactory commercial arrangements with other parties is often essential. Access to land for exploration purposes can be affected by land ownership, including private (freehold) land, pastoral lease and native title land or indigenous claims. Immediate access to land in the areas of activities cannot in all cases be guaranteed. The Company may be required to seek consent of land holders or other persons or groups with an interest in real property encompassed by, or adjacent to, the Company's concessions.

Compensation may be required to be paid by the Company to land holders so that the Company may carry out exploration and/or mining activities. Where applicable, agreements with indigenous groups have to be in place before a property interest can be granted. Rights to property interests carry with them various obligations in regard to minimum expenditure levels and responsibilities in respect of the

environment and safety. Failure to observe these requirements could prejudice the right to maintain title to a given area.

### ***Infrastructure***

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

### ***Competition***

The Company competes with other exploration companies which have greater financial resources and technical facilities for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. The Company's ability to locate and increase resources and reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select, acquire and develop suitable properties or prospects. As a result of this competition, the Company may be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

### ***Additional Capital***

The development and exploration of the properties in which the Company holds an interest will require substantial additional financing. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development or production on any or all of the properties in which the Company holds an interest or even a loss of property interest. The Company has no sources of funding other than financing arrangements with other mining and exploration companies and equity financing. The ability of the Company to continue operations into the future is dependent upon continuing to obtain favourable results from its exploration activities, which will affect its ability to attract partners and to raise financing. The participation of partners is very important to the future success of the Company. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

### ***Commodity Prices***

The Company's revenues, if any, are expected to be almost entirely derived from the mining and sale of gold, copper and other metals. The prices of those commodities have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control, including: international economic and political trends; expectations of inflation; currency exchange fluctuations; interest rates; consumption patterns; speculative activities; and increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of gold and copper, as well as other precious and base metals, and, therefore, on the economic viability of any of the Company's mining properties, cannot be accurately predicted, but nonetheless may adversely impact the Company's ability to raise capital and conduct its operations.

### ***Factors Beyond the Control of Cornerstone***

The potential profitability of mineral properties is dependent upon many factors beyond the Company's control. For instance, world prices of and markets for minerals are unpredictable, highly volatile, potentially subject to governmental fixing, pegging and/or controls and respond to changes in domestic,

international, political, social and economic environments. Another factor is that rates of recovery of minerals from mined ore (assuming that such mineral deposits are known to exist) may vary from the rate experienced in tests and a reduction in the recovery rate will adversely affect profitability and, possibly, the economic viability of a property. Profitability also depends on the costs of operations, including costs of labour, equipment, electricity, environmental compliance or other production inputs. Such costs will fluctuate in ways the Company cannot predict and are beyond the Company's control, and such fluctuations will impact on profitability and may eliminate profitability altogether. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for development and other costs have become increasingly difficult, if not impossible, to project. These changes and events may materially affect the financial performance of the Company.

### ***Government Regulation***

The mineral exploration activities (as well as the potential for eventual mining, processing and development activities) which the Company undertakes are subject to extensive laws and regulations governing prospecting, exploration, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, waste disposal, water use, land claims of local people, protection of historic and archaeological sites, mine development, protection of endangered and protected species and other matters. Government approvals, approval of aboriginal people and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing its exploration or mining operations or from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. The Company's mineral exploration and mining activities in the countries in which it operates may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase royalties payable or the costs related to the Company's activities or maintaining its properties. Operations may also be affected in varying degrees by government regulations with respect to restrictions on production, price controls, government-imposed royalties, claim fees, export controls, income taxes, and expropriation of property, environmental legislation and mine safety. The effect of these factors cannot be accurately predicted. Although the Company's mining activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail such activities.

### ***Required Permits and Licences***

The Company's operations require licenses and permits from various governmental authorities, which licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits as are required to explore and develop its properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost.

### ***Foreign Operations Risk***

The properties in which the Company holds an interest are located in less stable jurisdictions. As such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to: terrorism; hostage taking; military repression; fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; and changing political conditions and governmental regulations, including changing environmental legislation. Changes, if any, in mining or investment policies or shifts in political attitudes in the jurisdictions in which the Company holds property interests or assets may adversely affect its operations or profitability. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements or the imposition of additional local or foreign parties as partners with carried or other interests. There can be no assurance that industries which are deemed of national or strategic importance in the countries in which the Company has operations or assets, including mineral exploration, production and development, will not be nationalized. The risk exists that further government limitations, restrictions or requirements, not presently foreseen, will be implemented. Changes in policy that alter laws regulating the mining industry could have a material adverse effect on the Company. There can be no assurance that the Company's assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by an authority or body.

In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in laws or policy or the extent to which any such developments or changes may have a material adverse effect on the Company's operations.

### ***Ecuador***

Ecuador regulations have broad authority to shut down and/or levy fines against facilities that do not comply with regulations or standards. The properties in Ecuador in which the Company holds an interest may be exposed to potentially adverse risks associated with the evolving rules and laws governing mining expansion and development in that jurisdiction. Additionally, the Company's operations may be detrimentally affected in the event that the Ecuadorean government were to default on its foreign debt obligations or become subject to wider global economic and investment uncertainty. The Company is not aware of any current material changes in legislative, regulatory and public policy initiatives in Ecuador, however any future or proposed changes may adversely affect the properties in Ecuador in which the Company has or will have an interest. Under the current legislative regime, a mining company and the Government of Ecuador must enter into an exploitation (mine development) contract prior to exploitation (mining and processing) of natural resources. There is no certainty that the Company or its partners will be able to successfully enter into an exploitation contract, or enter into one on commercially favourable terms, and such a scenario may adversely impact on the properties in Ecuador in which the Company has an interest or render them uneconomical.



### ***Tax Regime in Ecuador***

Tax regimes in Ecuador may be subject to differing interpretations and are subject to change without notice. The Company's interpretation of tax law as applied to its transactions and activities may not coincide with that of the tax authorities. As a result, the taxation applicable to transactions and operations may be challenged or revised by the tax authorities, which could result in significant additional taxes, penalties and/or interest. Given the complexity of the tax calculations and sovereign adjustment, there is a risk that the currently expected taxation regime will not be applied or that different tax authorities will not agree with the calculations which may negatively impact the Company and the economic feasibility of its mineral projects in Ecuador. There is a risk that restrictions on the repatriation of earnings from Ecuador to foreign entities will be imposed in the future and the Company has no control over withholding tax rates. In addition, there is a risk that certain laws and regulations in Ecuador may result in a capital gains tax on profits derived from the sale of shares, ownership interests and other rights, such as exploration rights, of companies with permanent establishments in the country. The impact of these laws and regulations on the Company or its shareholders has not yet been determined.

### ***Enforcement of Civil Liabilities***

Substantially all of the Company's assets are located outside of Canada. As a result, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Company.

### ***Sale of Cornerstone Shares***

Sales of a large number of the Cornerstone shares or the potential for such sales over time could cause the trading price of Cornerstone shares to decline significantly and could impair the Company's ability to raise capital through future sales of shares.

### ***Key Executives***

The Company is dependent on the services of key executives, including its directors and a small number of highly skilled and experienced executives and personnel. The Company strongly depends on the business and technical expertise of its management and key personnel. Due to the relatively small size of the Company, the loss of any of these individuals or the Company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations.

### ***Conflicts of Interest***

Certain of the directors of the Company may also serve as directors or officers, or have significant shareholdings in, other companies involved in the metals industry and, to the extent that such other companies may participate in ventures in which the Company may participate in, or in ventures which the Company may seek to participate in, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In all cases where directors and officers have an interest in other companies, such other companies may also compete with us for the acquisition of metals, royalties, streams or other investments. Such conflicts of the Company directors may result in a material adverse effect on the Company's profitability, results of operation and financial condition.

## **Selected Annual Financial Information**

The following information has been derived from the three most recently completed annual financial statements:

As at December 31,	2018	2017	2016
Net Comprehensive income (loss)	(13,189,634)	3,232,961	-
Net loss	(8,777,697)	(7,835,575)	(3,121,541)
Operating loss	(5,078,167)	(6,476,399)	(3,121,541)
Exploration and evaluation expense	3,699,530	1,359,176	773,291
Loss per share - basic and diluted	(0.01)	(0.02)	(0.02)

## **Summary of Quarterly Results**

The following information has been derived from the eight most recently completed quarters, all presented under IFRS.

	September 30, 2019 \$	June 30, 2019 \$	March 31, 2019 \$	December 31, 2018 \$
Net loss	(2,135,941)	(1,752,159)	(1,807,076)	(2,829,333)
Other comprehensive income (loss)	(48,229,898)	(23,821,558)	(13,612,473)	51,713,967
Loss per share - basic and diluted	(0.07)	-	-	(0.01)
	September 30, 2018 \$	June 30, 2018 \$	March 31, 2018 \$	December 31, 2017 \$
Net loss	(2,747,373)	(1,513,553)	(1,965,917)	(1,659,430)
Other comprehensive income (loss)	42,537,380	(55,087,079)	(43,576,205)	(40,703,450)
Loss per share - basic and diluted	-	-	-	-

Quarterly information above has been restated for the effect of the cancellation of the plan of arrangement on September 5, 2018.

## **Management's Responsibility for Financial Statements**

The Board of Directors carries out its responsibility for the consolidated financial statements primarily through the audit committee which is composed of a majority of independent, non-executive directors who meet periodically with management and auditors to review financial reporting and internal control matters.

## **Future Accounting Changes**

There have been no recent IFRS accounting pronouncements with respect to new standards, interpretations and amendments during the three months ended September 30, 2019, as compared to the recent accounting pronouncements described under Note 3 in the Company's annual audited consolidated financial statements for the years ended December 31, 2018 and 2017, which are of potential significance to the Company.

## **Contingencies**

There are no contingencies of a material nature.

## **Other**

The Company's shares are traded on the TSX Venture Exchange under the stock symbol CGP as well as the over the counter market in the USA under the symbol CTNXF. The Company is also listed on the Frankfurt and Berlin Stock Exchanges under the stock symbol GWN.

Financial Statements and press releases issued by the Company, including those issued during the quarter ended September 30, 2019, and other information concerning the Company are archived at the Company website [www.cornerstoneresources.com](http://www.cornerstoneresources.com). Regulatory filings are also available through [www.sedar.com](http://www.sedar.com).