



*Unaudited Condensed Interim Consolidated Financial Statements of
Cornerstone Capital Resources Inc.*

*For the three months ended
March 31, 2019*

CORNERSTONE CAPITAL RESOURCES INC.

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Cornerstone Capital Resources Inc. for the three months ended March 31, 2019 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CORNERSTONE CAPITAL RESOURCES INC.

Unaudited Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

| | As at March 31, 2019 | As at December 31, 2018 |
|--|----------------------------|-------------------------------|
| | \$ | \$ |
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents | 2,498,625 | 3,883,299 |
| Marketable securities (Note 8) | 234 | 248 |
| Receivables (Note 9) | 914,977 | 362,226 |
| Prepaid expenses | 205,883 | 222,502 |
| TOTAL CURRENT ASSETS | 3,619,719 | 4,468,275 |
| Long term investments (Note 7, 10) | 103,600,000 | 103,600,000 |
| Marketable securities (Note 7, 8) | 115,706,022 | 102,093,548 |
| Property and equipment | 303,744 | 310,447 |
| TOTAL NON-CURRENT ASSETS | 219,609,766 | 206,003,995 |
| TOTAL ASSETS | 223,229,485 | 210,472,270 |
| LIABILITIES | | |
| CURRENT | | |
| Trade payables and accrued liabilities | 280,876 | 274,431 |
| TOTAL CURRENT LIABILITIES | 280,876 | 274,431 |
| Deferred tax liability (Note 10) | 29,008,000 | 29,008,000 |
| TOTAL LIABILITIES | 29,288,876 | 29,282,431 |
| EQUITY | | |
| Shareholders' equity (Note 12) | 193,940,609 | 181,189,839 |
| TOTAL LIABILITIES AND EQUITY | 223,229,485 | 210,472,270 |

Basis of consolidation and presentation (Note 3)

Contingencies (Note 16)

Commitments (Note 17)

Events after the reporting period (Note 18)

APPROVED BY THE BOARD OF DIRECTORS ON MAY 30, 2019:

"Brooke Macdonald" Director

"Beverley Evans" Director

See accompanying notes to the unaudited condensed interim consolidated financial statements

CORNERSTONE CAPITAL RESOURCES INC.**Unaudited Condensed Interim Consolidated Statements of Operations and Comprehensive (loss) Income****(Expressed in Canadian Dollars)**

| | Three months ended March 31, 2019 \$ | Three months ended March 31, 2018 \$ (Note 2) |
|--|---|---|
| REVENUE AND OTHER INCOME | | |
| Unrealized gain (loss) on value of marketable securities | (14) | 352 |
| Project Revenue | 54,734 | 50,488 |
| Investment income | 6 | 16 |
| TOTAL REVENUE AND OTHER INCOME | 54,726 | 50,856 |
| EXPENSES | | |
| Exploration and evaluation expenditures (Note 11) | 884,976 | 483,290 |
| General and administrative | 143,042 | 392,697 |
| Share-based payments (Note 12) | 522,025 | 583,498 |
| Consulting fees | 201,225 | 174,334 |
| Accounting, audit and legal | 93,743 | 444,981 |
| Depreciation | 16,488 | 16,903 |
| Interest and bank charges | 3,178 | 1,681 |
| Foreign exchange loss (gain) | (2,875) | (80,611) |
| TOTAL EXPENSES | 1,861,802 | 2,016,773 |
| NET LOSS FOR THE YEAR | (1,807,076) | (1,965,917) |
| OTHER COMPREHENSIVE (LOSS) INCOME | | |
| Unrealized (loss) gain on investment (Note 7) | 13,612,473 | (52,429,743) |
| Deferred income tax recovery (Note 10) | - | 8,853,538 |
| TOTAL OTHER COMPREHENSIVE (LOSS) INCOME | 13,612,473 | (43,576,205) |
| NET COMPREHENSIVE (LOSS) INCOME | 11,805,397 | (45,542,122) |
| Loss per share | | |
| Basic | (0.00) | (0.00) |
| Diluted | (0.00) | (0.00) |
| Weighted-average number of shares outstanding | | |
| Basic | 636,524,298 | 602,730,619 |
| Diluted | 636,524,298 | 602,730,619 |

See accompanying notes to the unaudited condensed interim consolidated financial statements

CORNERSTONE CAPITAL RESOURCES INC.

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

| | Number of shares | Share capital \$ | Warrants \$ | Contributed Surplus \$ | Accumulated other Comprehensive Income \$ | Deficit \$ | Total Shareholders' Equity \$ |
|--|---------------------|---------------------|----------------|------------------------------|---|---------------|--|
| Balance, December 31, 2017 | 589,519,508 | 150,940,624 | 2,409,470 | 12,691,967 | 74,985,679 | (58,178,575) | 182,849,165 |
| Total comprehensive loss for the period | - | - | - | - | (43,576,205) | (1,965,916) | (45,542,121) |
| Shares issued in private placements | 41,000,000 | 8,200,000 | - | - | - | - | 8,200,000 |
| Share-based payments | - | - | - | 583,498 | - | - | 583,498 |
| Share issue costs | - | (301,872) | - | - | - | - | (301,872) |
| Balance, March 31, 2018 | 630,519,508 | 158,838,752 | 2,409,470 | 13,275,465 | 31,409,474 | (60,144,491) | 145,788,670 |
| Total comprehensive loss for the period | - | - | - | - | 39,164,268 | (6,811,781) | 32,352,487 |
| Shares issued on exercise of stock options | 1,075,001 | 140,872 | - | (35,044) | - | - | 105,828 |
| Shares issued on exercise of warrants | 2,631,179 | 448,180 | (108,170) | - | - | - | 340,010 |
| Shares issued to settle debt | 1,129,032 | 350,000 | - | - | - | - | 350,000 |
| Share-based payments | - | - | - | 2,277,008 | - | - | 2,277,008 |
| Share issue costs | - | (24,164) | - | - | - | - | (24,164) |
| Balance, December 31, 2018 | 635,354,720 | 159,753,640 | 2,301,300 | 15,517,429 | 70,573,742 | (66,956,272) | 181,189,839 |
| Total comprehensive loss for the period | - | - | - | - | 13,612,473 | (1,807,076) | 11,805,397 |
| Shares issued on exercise of stock options | 1,100,000 | 350,905 | - | (157,655) | - | - | 193,250 |
| Shares issued on exercise of warrants | 2,625,000 | 311,124 | (48,624) | - | - | - | 262,500 |
| Share-based payments | - | - | - | 522,025 | - | - | 522,025 |
| Share issue costs | - | (32,402) | - | - | - | - | (32,402) |
| Balance, March 31, 2019 | 639,079,720 | 160,383,267 | 2,252,676 | 15,881,799 | 84,186,215 | (68,763,348) | 193,940,609 |

See accompanying notes to the unaudited condensed interim consolidated financial statements

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

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|--|---|---|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Net loss for the period | (1,807,076) | (1,965,917) |
| Items not affecting cash: | | |
| Depreciation | 16,488 | 16,903 |
| Interest and bank charges recognized in net loss | 3,178 | 1,681 |
| Interest income recognized in net loss | (6) | (16) |
| Unrealized (gain) loss on value of marketable securities | 14 | (352) |
| Share-based payments | 522,025 | 583,498 |
| Changes in non-cash operating working capital (Note 14) | (539,473) | 368,033 |
| CASHFLOWS FROM OPERATING ACTIVITIES | (1,804,850) | (996,170) |
| INVESTING ACTIVITIES | | |
| Interest income received | 6 | 16 |
| Purchase of property and equipment | - | (8,672) |
| CASHFLOWS FROM INVESTING ACTIVITIES | 6 | (8,656) |
| FINANCING ACTIVITIES | | |
| Interest and bank charges paid | (3,178) | (1,681) |
| Proceeds from exercise of stock options | 193,250 | - |
| Proceeds from exercise of warrants | 262,500 | - |
| Proceeds from issuance of share capital | - | 7,958,000 |
| Share issue costs | (32,402) | (59,869) |
| CASHFLOWS FROM FINANCING ACTIVITIES | 420,170 | 7,896,450 |
| INCREASE IN CASH | (1,384,674) | 6,891,624 |
| CASH, BEGINNING OF THE PERIOD | 3,883,299 | 809,530 |
| CASH, END OF THE PERIOD | 2,498,625 | 7,701,154 |

See accompanying notes to the unaudited condensed interim consolidated financial statements

Supplemental cashflow information (Note 14)

CORNERSTONE CAPITAL RESOURCES INC.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2019
(Expressed in Canadian Dollars)

1. DESCRIPTION OF BUSINESS

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

These unaudited condensed interim consolidated financial statements (“financial statements”) for the three months ended March 31, 2019, were authorized for issuance by the Board of Directors of the Company on May 30, 2019.

2. ABANDONED PLAN OF ARRANGEMENT

During the years ended December 31, 2018 and 2017, the Company was in the process of completing a strategic reorganization of Cornerstone Capital’s business through a statutory plan of arrangement (the “Arrangement”) under Section 288 of the Business Corporations Act (Alberta Business). Pursuant to the Arrangement, Cornerstone Capital would have transferred its wholly owned subsidiaries that directly hold the Vetas Grande, Cana Brava, Bella Maria, Tioloma and Bramaderos concessions in Ecuador, the Miocene concessions in Chile, as well as applications for further concessions in Ecuador made by Cornerstone Capital prior to the Arrangement and included \$5,750,000 in cash and cash equivalents to Cornerstone Exploration Inc. (“Cornerstone Exploration”) in exchange for common shares of Cornerstone Exploration (the “Cornerstone Exploration Common Shares”). Cornerstone Exploration would have commenced trading on the Toronto Venture Stock Exchange under the symbol “CEX” upon completion of the Arrangement. Shareholders of Cornerstone Capital would have received common shares of Cornerstone Exploration by way of a share exchange, in proportion to their shareholdings in Cornerstone Capital.

On September 5, 2018, the Company announced that, given the ongoing delays faced by the Company in obtaining certain approvals, the Board of Directors had decided not to proceed with the plan of arrangement at this time. As a result of the decision to abandon the plan of Arrangement, certain items previously classified as discontinued operations on the Consolidated Statement of Financial Position as well as the Consolidated Statement of Operations and Comprehensive Income have been reclassified to continued operations for the three months ended March 31, 2018.

For the three months ended March 31, 2018, the following is a summary of the assets and liabilities held for spin-off which were reclassified back into their respective categories due to the cancellation of the plan of arrangement:

| | March 31, 2018 | Reclassification | March 31, 2018 Restated |
|--------------------------|-----------------------|-------------------------|------------------------------------|
| | \$ | \$ | \$ |
| Current assets | | | |
| Cash | 7,685,722 | 15,432 | 7,701,154 |
| Receivables | 489,935 | 357,748 | 847,683 |
| Property and equipment | 279,494 | 17,468 | 296,962 |
| Assets held for spin-off | 390,648 | (390,648) | - |

CORNERSTONE CAPITAL RESOURCES INC.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2019
(Expressed in Canadian Dollars)

2. ABANDONED PLAN OF ARRANGEMENT (Continued)

| | | | |
|--|---------|----------|---------|
| Trade payables and accrued liabilities | 755,309 | 14,393 | 769,702 |
| Liabilities held for spin-off | 14,393 | (14,393) | - |

The net loss from the assets held for spin-off has been reclassified to net loss from discontinued operations as follows:

| | Three months ended March 31, 2018 | Reclassification | Year ended March 31, 2018 Restated |
|---|---|------------------|---------------------------------------|
| | \$ | \$ | \$ |
| REVENUE AND OTHER INCOME | | | |
| Project revenue | - | 50,488 | 50,488 |
| EXPENSES | | | |
| Exploration and evaluation expenditures | 264,272 | 219,018 | 483,290 |
| General and administrative | 301,874 | 90,823 | 392,697 |
| Accounting, audit and legal | 426,435 | 18,546 | 444,981 |
| Depreciation | 15,974 | 929 | 16,903 |
| Foreign exchange loss (gain) | (80,262) | (349) | (80,611) |
| NET LOSS FROM DISCONTINUED OPERATIONS | (278,478) | (278,478) | - |

3. BASIS OF CONSOLIDATION AND PRESENTATION

Statement of Compliance

These financial statements are unaudited and have been prepared in accordance with IAS 34, Interim Financial Reporting, (“IAS 34”), using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee (“IFRIC”).

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

Basis of Consolidation and Presentation

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

CORNERSTONE CAPITAL RESOURCES INC.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2019
(Expressed in Canadian Dollars)

3. BASIS OF CONSOLIDATION AND PRESENTATION (Continued)

financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

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

An associate is an entity in which the Company or its subsidiaries have significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in, without having control over, the financial and operating policy decisions of the entity, and generally exists where between 20% and 50% of the voting power of the entity is held by the Company. As at March 31, 2019, and December 31, 2018, the Company did not have any associates. The Company's indirect 15% interest in ENSA (held by Cornerstone Ecuador S.A. ("CESA")) is being accounted for at Fair Value through Other Comprehensive Income.

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

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

The financial statements of the Company have been prepared in accordance with IFRS on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company does not have any proven economically recoverable reserves, has a history of losses, and at March 31, 2019, the Company had an accumulated deficit of \$68,763,348 (December 31, 2018 - \$66,956,272) and has recorded a net comprehensive gain of \$84,186,215 (December 31, 2018 - \$70,573,742). The success of the Company is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to find and complete the development of such reserves, the ability of the Company to satisfy obligations as they come due and upon future profitable production from the properties or proceeds from disposition. The Company as at March 31, 2019, had cash balances of \$2,498,625 (December 31, 2018 - \$3,883,299) and current liabilities of \$280,876 (December 31, 2018 - \$274,431). The Company currently does not expect to require additional financing to continue to pursue its exploration activities, and to meet its general and administrative costs for at least the next 12 months from the reporting period.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers,

CORNERSTONE CAPITAL RESOURCES INC.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
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(Expressed in Canadian Dollars)

3. BASIS OF CONSOLIDATION AND PRESENTATION (Continued)

government licensing requirements or regulations, unregistered claims and non-compliance with regulatory, environmental and social licensing requirements, and may be affected by undetected defects. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported net loss and the balance sheet classifications used.

Basis of measurement

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

Functional currency and currency of presentation

The financial statements are presented in Canadian dollars which is also the functional currency of the Company and its subsidiaries.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2018, with the exception of certain amendments to accounting standards issued by the IASB, which were effective January 1, 2019. The amendments to accounting standards issued by the IASB did not have a significant impact on the Company's condensed interim financial statements. The preparation of the financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgements in applying the Company's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

IFRS 16 – Leases – The new standard replaces IAS 17 – *Leases* and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has low value. The adoption of IFRS 16 did not impact these financial statements as the Company has no material leases.

Significant accounting judgments, estimates and assumptions

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

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

CORNERSTONE CAPITAL RESOURCES INC.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2019
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant management judgments

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

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

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

- *Going concern*

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

The Company's business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will ultimately result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties it acquires, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise additional financing, if necessary, or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs to the carrying values of the Company's assets. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

- *Contingencies*

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

- *Functional currency*

The functional currency of the parent entity, and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The parent entity has determined the functional currency of each entity is the Canadian dollar. Determination of functional currency may involve certain judgments to determine

the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

CORNERSTONE CAPITAL RESOURCES INC.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2019
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Repayment of carried interest on Cascabel*

SolGold Plc (“SolGold”) is funding 100% of the exploration at the Cascabel property, including Cornerstones 15% (“Carried Interest”), which is held by ENSA, up to completion and delivery of a feasibility study. Under the terms of the joint venture with SolGold, the Company has to repay the Company’s share of the exploration expenditures incurred during the Carried Interest phase plus annual interest of LIBOR +2%, when SolGold provides the Company with a positive feasibility study. Management has determined that as of the date of these financial statements that SolGold has not yet delivered a feasibility study to Cornerstone and as a result the triggering event for the repayment of the carried interest per the terms above had not been met. No provision for the contingent liability for the repayment of Cornerstone’s proportionate share of the expenditures incurred by SolGold, has been recorded in the Consolidated Statement of Financial Position as management has assessed that there is still high uncertainty regarding the outcome of a potential feasibility study.

Estimates and assumptions

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

- *Property and equipment*

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

- *Receivables*

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

- *Share-based payments*

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

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

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

CORNERSTONE CAPITAL RESOURCES INC.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2019
(Expressed in Canadian Dollars)

5. FUTURE ACCOUNTING CHANGES

There have been no recent IFRS accounting pronouncements with respect to new standards, interpretations and amendments during the three months ended March 31, 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.

6. CAPITAL MANAGEMENT

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

The properties in which the Company has or is earning an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. Subject to availability of funding, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geological or economic potential and if it has adequate financial resources to do so.

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

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

7. FINANCIAL INSTRUMENTS

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

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

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

Level 3 – valuation techniques with significant unobservable market inputs.

Level 3 financial instruments

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

CORNERSTONE CAPITAL RESOURCES INC.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2019
(Expressed in Canadian Dollars)

7. FINANCIAL INSTRUMENTS (Continued)

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

| | Three months ended March 31, 2019 | Year ended December 31, 2018 |
|-----------------------------|--|---|
| Investments, fair value | | |
| Balance, beginning of year | \$ 103,600,000 | \$ 125,757,292 |
| Changes in valuation | - | (22,157,292) |
| Balance, end of year | \$ 103,600,000 | \$ 103,600,000 |

Management reviewed the changes in the non-observable market inputs during the three months ended March 31, 2019, and determined that there was no significant fluctuation in the values of these inputs used in the December 31, 2018, valuation and as a result there was no change in the valuation of the investment in ENSA.

On May 20, 2019 SolGold and Cornerstone announced the results of the Preliminary Economic Assessment (“PEA”) for the Cascabel project (Note 18).

Management of the Company has engaged independent valuers to assess the impact of the PEA announcement on the Company’s investment in ENSA and related deferred tax liability. Management anticipates the announcement of the PEA will have an impact on the valuation of the investment in ENSA and the deferred income tax liability as reported on these financial statements. Until the updated technical report is filed on SEDAR, 45 days from the date of the announcement (May 20, 2019), the independent valuers are unable to provide Cornerstone with an updated valuation based solely on the information provide in the Cornerstone and related SolGold news releases.

As disclosed in note 10, a feasibility study and not a preliminary economic assessment is required to trigger the event for the repayment of the carried interest. As a result, there has been no adjustment to the statement of financial position to record a debt owing to SolGold for the repayment of the carried interest based on the announcement of the PEA.

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.

Management of Cornerstone engaged an independent valuation firm to prepare a valuation of the investment in ENSA based primarily on the updated Alpala Maiden Mineral Deposit (“AMMD”) as issued by SolGold Plc (“SolGold”) dated November 7, 2018. Secondary factors which were considered in the valuation included but were not limited to Cornerstone Capital Resources Inc. and SolGold PLC’s unaudited financial statements for the periods ended December 31, 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

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7. FINANCIAL INSTRUMENTS (Continued)

31, 2019, and Public information with respect to mineral properties, foreign exchange rates, 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 Comparable Public Company approach and based on the enterprise value of SolGold. This approach provided Cornerstone with a range in which a reasonable valuation for ENSA would fit. Management selected a valuation of ENSA that was within the range provided in the valuation report.

Comparable Public Company Approach

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

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

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

Historical transaction multiple approach

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

- 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.

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 \$0.031 to \$0.038. 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 March 31, 2019 and December 31, 2018, 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 \$10.36 million keeping all other variables constant.

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7. FINANCIAL INSTRUMENTS (Continued)

As at March 31, 2019 and December 31, 2018, a change in the marketability discount of 5% (increase to 5%) would result in an decrease in the fair value estimate of ENSA of approximately \$5.18 million keeping all other variables constant.

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

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

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

- Risk adjusted CuEq lbs of 18,303
- Value attributable to Cascabel \$/lbs ranging from 45% to 55%
- Adjusted \$/lbs ranging from \$0.031 to \$0.038
- Marketability discount ranging from 0% to 10%

During three months ended March 31, 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 March 31, 2019 and December 31, 2018.

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

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

The Company has no liabilities recorded at fair value on March 31, 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.

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7. FINANCIAL INSTRUMENTS (Continued)

| As at March 31, 2019 | Level 1 | Level 2 | Level 3 | Total financial assets at fair value |
|---|-------------|---------|-------------|--|
| Financial assets | \$ | \$ | \$ | \$ |
| Short-term Marketable securities | 234 | - | - | 234 |
| Long-term marketable securities | 115,706,022 | - | - | 115,706,022 |
| Long-term investment | - | - | 103,600,000 | 103,600,000 |
| | 115,706,256 | - | 103,600,000 | 219,306,256 |

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

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

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

Financial Risk Factors

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

Credit risk

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

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

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7. FINANCIAL INSTRUMENTS (Continued)

| As at March 31, 2019 | Neither past due nor impaired | | Past due or Individually impaired | Total |
|----------------------------------|----------------------------------|-------------------|---|------------------|
| | High grade | Standard grade | | |
| Cash and receivables: | \$ | \$ | \$ | \$ |
| Cash and cash equivalents | 2,498,625 | – | – | 2,498,625 |
| Other receivables ⁽¹⁾ | 874,708 | – | – | 874,708 |
| | <u>3,373,333</u> | <u>–</u> | <u>–</u> | <u>3,373,333</u> |

(1) Other receivables exclude sales tax receivable of \$40,269

| As at December 31, 2018 | Neither past due nor impaired | | Past due or Individually impaired | Total |
|--|----------------------------------|-------------------|---|------------------|
| | High grade | Standard grade | | |
| Cash and receivables: | \$ | \$ | \$ | \$ |
| Cash and cash equivalents ⁽²⁾ | 3,883,299 | – | – | 3,883,299 |
| Other receivables ⁽¹⁾⁽²⁾ | 267,546 | – | – | 267,546 |
| | <u>4,150,845</u> | <u>–</u> | <u>–</u> | <u>4,150,845</u> |

(1) Other receivables exclude sales tax receivable of \$72,277

(2) As a result of the Company cancelling the plan of arrangement \$245,349 of cash and \$769,431 of accounts receivable which was previously classified as assets held for spin-off at December 31, 2017, have been reclassified into cash and accounts receivable respectively.

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 March 31, 2019, the Company had a cash balance of \$2,498,625 (December 31, 2018 - \$3,883,299) to settle current liabilities of \$280,876 (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.

Market risk

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

Interest rate risk – As at March 31, 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.

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.

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7. FINANCIAL INSTRUMENTS (Continued)

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

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

| | March 31, 2019 (USD) (\$) | December 31, 2018 (USD) (\$) |
|---|--|---------------------------------|
| Cash | 219,133 | 238,632 |
| Receivables | 267,698 | 361,506 |
| Trade payables and accrued liabilities | (126,504) | (121,925) |
| Net US dollar exposure presented in CAD | 360,327 | 478,213 |

Based upon the above net exposures to US dollars, as at March 31, 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 \$36,000 (December 31, 2018 - \$47,000).

Sensitivity analysis

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

A 20% change in value of these investments as at March 31, 2019, would result in an increase or decrease in net comprehensive income and the carrying value of the investments of 23,141,000 (December 31, 2018 - \$20,418,000).

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

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8. MARKETABLE SECURITIES

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

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

Short-term marketable securities

| | March 31, 2019 | December 31, 2018 |
|---------------------------|-----------------------|-------------------|
| | \$ | \$ |
| Rambler Metals and Mining | 234 | 248 |

There were no disposals and acquisitions of marketable securities during the three months ended March 31, 2019.

Long-term marketable securities

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

| | March 31, 2019 | | December 31, 2018 | |
|--------------------|-----------------------|--------------------|---------------------|-------------|
| | Number of Shares | \$ | Number of Shares | \$ |
| <i>SolGold Plc</i> | 170,156,414 | 115,706,022 | 170,156,414 | 102,093,548 |

There were no sales or acquisitions of SolGold Plc shares during the three months ended March 31, 2019.

9. RECEIVABLES

| | March 31, 2019 | December 31, 2018 |
|----------------------|---------------------------|----------------------|
| | \$ | \$ |
| Sales tax receivable | 40,269 | 94,680 |
| Other receivables | 874,708 | 267,546 |
| Total receivables | 914,977 | 362,226 |

During the three months ended March 31, 2019, the Company incurred exploration expenditures on its Bramaderos property which were charged back to its exploration partner Sunstone Metals Ltd (note 11). As at March 31, 2019, the Company, has a receivable of \$607,341 (December 31, 2018 - \$163,213) relating to its exploration partner.

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10. LONG TERM INVESTMENTS

As at March 31, 2019 and December 31, 2018, SolGold is the registered shareholder of an 85% interest in ENSA. Subject to the satisfaction of certain conditions, including SolGold's fully funding the project through to feasibility, SolGold Plc will own 85% of the equity of ENSA and Cornerstone will own the remaining 15% of ENSA. SolGold Plc is funding 100% of the exploration at the Cascabel property, including Cornerstones 15% ("Carried Interest), which is held by ENSA, up to completion and delivery of a feasibility study. SolGold is the operator of the project.

Upon completion and delivery of a feasibility study, Cornerstone and SolGold shall jointly fund the activities of ENSA based on their proportionate interest. To the extent that either Cornerstone or SolGold fail to fund their proportionate interest, that party will have its ownership in ENSA diluted.

As a result of SolGold funding 100% of the activities in ENSA up to completion and delivery of a feasibility study, SolGold shall receive 90% of any distribution of earnings or dividends from ENSA or the Cascabel property that would otherwise be due to Cornerstone until such time as the amount received by SolGold through such payments equals Cornerstone's proportionate share of the expenditures incurred by SolGold from the date it earned its 85% interest until the time of completion and delivery of the feasibility study plus annual interest of LIBOR +2%.

As at March 31, 2019, SolGold had not yet delivered a feasibility study to Cornerstone and as a result the triggering event for the repayment of the carried interest per the terms above had not been met. No provision for the contingent liability for the repayment of Cornerstone's proportionate share of the expenditures incurred by SolGold, has been recorded in the Consolidated Statement of Financial Position as management has assessed that there is still high uncertainty regarding the outcome of a potential feasibility study.

As at March 31, 2019, the estimated value of the long-term investment in ENSA was \$103,600,000 (December 31, 2018 - \$103,600,000). Refer to note 7 and note 18 for details on the valuation of the investment in ENSA. As at March 31, 2019, the estimated deferred income tax liability related to the long-term investment in ENSA was \$29,008,000 (December 31, 2018 - \$29,008,000).

11. EXPLORATION AND EVALUATION EXPENDITURES

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

| Geographical Area | Three months ended | |
|--------------------------|--|--|
| | March 31, 2019 | March 31, 2018 |
| | Exploration and Evaluation expenditures | Exploration and Evaluation expenditures |
| | \$ | \$ |
| Chile | 65,652 | 96,582 |
| Ecuador | 819,324 | 386,708 |
| | 884,976 | 483,290 |

Exploration expenditures incurred in Ecuador for the year three months ended March 31, 2019, have been reduced by \$557,222 (March 31, 2018 – \$470,534), respectively, which was charged to the Company's exploration partner.

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11. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

As at March 31, 2019, Sunstone has incurred \$3,173,885 (US\$2,455,281) of exploration expenditures on the Bramaderos property. As at March 31, 2019, Sunstone has not yet acquired its initial interest in the Bramaderos property.

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

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

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

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

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

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

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

Subject to due diligence and negotiation of definitive documentation, Newcrest has the option to earn up to a 75% interest in 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 US\$100,000, and spending a minimum of US\$2 million (committed);
- Stage 1 (4 years): paying US\$500,000 to Cornerstone and spending a further \$8 million (with a minimum of \$500,000 in each year to maintain the option) to earn a 51% interest in the Project;

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11. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

- Stage 2 (2 years): paying \$650,000 to Cornerstone and completing a positive Preliminary Economic Assessment in accordance with National Instrument 43-101 on any target area in the Project, to increase its interest in the Project to 65% (Newcrest may extend Stage 2 an additional year by paying Cornerstone \$250,000); and
- Stage 3 (2 years): incurring expenditures of \$100 million or completing a bankable feasibility study (BFS), whichever occurs first, to increase its interest in the Project to 75% (Newcrest may extend Stage 3 by up to an additional 2 years by paying \$500,000 to Cornerstone for each 1 year extension).

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

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

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

12. SHAREHOLDERS' EQUITY

A) Share Capital

Authorized

An unlimited number of common shares with no par value.

Issued and outstanding

| | March 31, 2019 | | December 31, 2018 | |
|----------------------|-------------------------|--------------------|--------------------------|-------------|
| | Number of Shares | \$ | Number of Shares | \$ |
| <i>Common shares</i> | 639,079,720 | 160,383,267 | 635,354,720 | 159,753,640 |

2019 issuances

During the three months ended March 31, 2019, 1,100,000 stock options were exercised for gross proceeds of \$193,250. The stock options had an average exercise price of \$0.176 per option and expiring up to November 15, 2021. As a result of the exercise of the stock options a total of \$157,655 was transferred from contributed surplus to share capital.

During the three months ended March 31, 2019, 2,625,000 warrants were exercised for gross proceeds of \$262,500. The warrants had an average exercise price of \$0.10 per warrant and expired up to May 12, 2021. As a result of the exercise of the warrants a total of \$48,624 was transferred from warrants to share capital.

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12. SHAREHOLDERS' EQUITY (Continued)

Preferred shares

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

B) Stock options

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

There were no stock options granted during the three months ended March 31, 2019.

During the three months ended March 31, 2019, the Company realized and recorded as an expense in the profit or loss of \$522,025 (March 31, 2018 - \$583,498) relating to stock options which vested in the current period.

During the three months ended March 31, 2019, 1,100,000 options were exercised for gross proceeds of \$193,250. On January 1, 2019, the Chief Financial Officer resigned and was retained as the controller of the Company. As a result, in the change of position the Board of Directors cancelled 312,500 stock options previously granted to the former Chief Financial Officer.

On February 25, 2019, the Chief Executive Officer of the Company declared a blackout on management exercising options due to SolGold's announcement that it will make a hostile takeover offer for Cornerstone and other value enhancing alternative transactions being investigated by the Company's financial advisors and the Independent Committee.

As a result of the management blackout 2,450,000 stock options expiring on March 5, 2019, were not allowed to be exercised by the Company. According to the stock option plan, options restricted from exercise due to a blackout, which expire during the blackout period, are automatically extended for a period of 10 days from the date the blackout is terminated. As at March 31, 2019, the blackout was still in effect.

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

| | For the three months ended March 31, 2019 | | For the year ended December 31, 2018 | |
|--|--|---|---|---|
| | Number | Weighted- Average Exercise Price | Number | Weighted- Average Exercise Price |
| | | \$ | | \$ |
| Balance, beginning of the period | 43,393,501 | 0.17 | 28,366,002 | 0.17 |
| Granted during the period | | | | |
| To employees, officers, directors and consultants | - | - | 16,550,000 | 0.215 |
| Exercised during the period | (1,100,000) | 0.176 | (1,075,001) | 0.098 |
| Expired | - | - | (447,500) | 0.15 |
| Cancelled by the Board of Directors | (312,500) | 0.215 | - | - |
| Balance, end of period | 41,981,001 | 0.23 | 43,393,501 | 0.23 |
| Exercisable, end of period | 25,743,501 | 0.20 | 24,368,501 | 0.20 |

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12. SHAREHOLDERS' EQUITY (Continued)

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

| Expiry date | Grant date | Exercise price | Options outstanding | Contractual Life (years) | Options vested | Options unvested | Years remaining to maturity |
|-------------|------------|----------------|---------------------|--------------------------|-------------------|-------------------|-----------------------------|
| 05-Mar-19 | 05-Mar-14 | \$0.19 | 2,450,000 | 5 | 2,450,000 | - | 0.00 |
| 29-Jan-20 | 29-Jan-15 | \$0.10 | 1,743,500 | 5 | 1,743,500 | - | 0.83 |
| 04-Jun-20 | 04-Jun-15 | \$0.10 | 50,000 | 5 | 50,000 | - | 1.18 |
| 14-Jun-21 | 14-Jun-16 | \$0.05 | 2,433,334 | 5 | 2,433,334 | - | 2.21 |
| 08-Aug-21 | 09-Aug-16 | \$0.11 | 2,725,000 | 5 | 2,725,000 | - | 2.63 |
| 15-Nov-21 | 15-Nov-16 | \$0.15 | 8,841,667 | 5 | 8,841,667 | - | 2.36 |
| 12-Jul-22 | 12-Jul-17 | \$0.475 | 7,500,000 | 5 | 7,500,000 | - | 3.28 |
| 12-Sep-23 | 12-Sep-18 | \$0.215 | 16,237,500 | 5 | - | 16,237,500 | 4.45 |
| | | | 41,981,001 | | 25,743,501 | 16,237,500 | |

C) Warrants

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

| | For the three months ended March 31, 2019 | | |
|----------------------------------|--|-------------------|-------------------------------|
| | Number | Fair Value | Weighted-Average Price |
| | | \$ | \$ |
| Balance, beginning of the period | 83,658,632 | 2,301,300 | 0.18 |
| Exercised | (2,625,000) | (48,614) | (0.10) |
| Balance, end of the period | 81,033,632 | 2,252,676 | 0.18 |

| | For the year ended December 31, 2018 | | |
|--------------------------------|---|-------------------|-------------------------------|
| | Number | Fair Value | Weighted-Average Price |
| | | \$ | \$ |
| Balance, beginning of the year | 86,289,811 | 2,409,470 | 0.17 |
| Exercised | (2,631,179) | (108,170) | (0.13) |
| Balance, end of the year | 83,658,632 | 2,301,300 | 0.18 |

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12. SHAREHOLDERS' EQUITY (Continued)

| Number of warrants | Carrying Value | Exercise price | Expiry date |
|-----------------------|----------------|----------------|---------------|
| | \$ | \$ | |
| 26,600,000 | 1,221,405 | 0.35 | April 7, 2019 |
| 452,113 | 29,989 | 0.20 | April 7, 2019 |
| 53,981,519 | 1,001,282 | 0.10 | May 12, 2021 |
| 81,033,632 | 2,252,676 | | |

D) Loss per share

During the three months ended March 31, 2019, 81,033,632 warrants (March 31, 2018 – 86,289,811) and 41,981,001 options (March 31, 2018 – 28,366,002) were excluded from the computation of diluted loss per share as they were anti-dilutive.

13. RELATED PARTY TRANSACTIONS

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

Brooke Macdonald, who serves as the Company's President and CEO, provided the Company with management consulting services. During the three months ended March 31, 2019, Mr. Macdonald billed a total of \$94,326 (March 31, 2018 - \$75,834). The Company may terminate the contract without cause by paying the President and CEO 24 months' salary at any time.

Sabino Di Paola, who served as the CFO and Corporate Secretary for the Company up until December 31, 2018, provided the Company with management consulting services. During the three months ended March 31, 2019, Mr. Di Paola billed a total of \$Nil (March 31, 2018 - \$39,000) for accounting and management consulting services.

Dave 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 months ended March 31, 2019, Mr. Loveys billed a total of \$49,500 (March 31, 2018 - \$Nil).

During the three months ended March 31, 2019, non-management directors of the Company were paid/accrued stipends of \$26,000 (March 31, 2018 - \$32,500).

Compensation for the three months ended March 31, 2019, for key management personnel, not included above, is \$461,571 (March 31, 2018 - \$631,242) which includes salary and other short-term benefits of \$771,50 (March 31, 2018 - \$65,220) and share-based payments of \$246,976 (March 31, 2018 - \$566,021). These amounts include salary and benefits for the Company's Vice President, Exploration, group insurances for all management and share based payments for all management and directors.

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14. SUPPLEMENTAL CASH FLOW INFORMATION

| | Three months ended March 31, | |
|---|-------------------------------------|-------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Changes in non-cash operating working capital | | |
| Decrease (increase) in receivables | (552,751) | 49,876 |
| Decrease in prepaid expenses | 16,619 | 3,767 |
| (Decrease) increase in trade payables and accrued liabilities | (3,341) | 314,390 |
| | (539,473) | 368,033 |

During the three months ended March 31, 2019, the value of the share-based payments and warrants exercised were \$157,655 (2018 - \$Nil) and \$48,624 (2018 - \$Nil) respectively.

15. SEGMENT REPORTING

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

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

| | March 31, 2019 | December 31, 2018 |
|-------------------------------|-----------------------|--------------------------|
| | \$ | \$ |
| Ecuador | | |
| Property, plant and equipment | 290,183 | 295,766 |
| Long-term investment | 103,600,000 | 103,600,000 |
| Chile | | |
| Property, plant and equipment | 13,561 | 14,681 |
| Canada | | |
| Marketable securities | 115,706,022 | 102,093,548 |
| | 219,609,766 | 206,003,995 |

16. CONTINGENCIES

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

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16. CONTINGENCIES (continued)

There is one administrative claim by the Ministry of Environment (ME) for the cost of remediating some moderate environmental disturbance, which the Company maintains was caused by illegal miners trespassing on CESA's La Rinconada concession. CESA contends that it formally notified the ME immediately upon becoming aware of the presence of the illegal miners and that the damages were done following the giving such notice. At the present time the Company's Ecuadorean legal counsel believes that the Company's claim has enough merit to be successful in the Court, although they cannot guarantee any result. No amounts have been recorded in the consolidated financial statements regarding these contingencies.

17. COMMITMENTS

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

18. EVENTS AFTER THE REPORTING PERIOD

On April 7, 2019, the balance of 26,600,000 of the \$0.35 warrants expired. The balance of 452,113 of the \$0.20 warrants were exercised during the first quarter of 2019.

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 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 within 45 days of this news release, as required by National Instrument 43-101.