CORNERSTONE

Management's Discussion & Analysis of

Financial Conditions & Results of Operations

For the Three and Six Months Ended June 30, 2018

CORNERSTONE CAPITAL RESOURCES INC.

Management's Discussion & Analysis of Financial Conditions & Results of Operations for the three and six months ended June 30, 2018

The following management's discussion and analysis, dated August 28, 2018, should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and six months ended June 30, 2018, as well as audited consolidated financial statements and related notes for the year ended December 31, 2017. 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 Capital Resources Inc. (the "Company" or "Cornerstone Capital") expects are forward-looking statements. Although the Company 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 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.

As at June 30, 2018, and August 28, 2018, the Company is 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 will transfer to Cornerstone Exploration Inc. ("Cornerstone Exploration") its wholly owned subsidiaries that directly hold the Shyri NW (Vetas Grandes), 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 will contribute $5,750,000 in cash and cash equivalents in exchange for common shares of Cornerstone Exploration (the "Cornerstone Exploration Common Shares").

As at December 31, 2017, the Company and its subsidiaries, including the concessions being held for spin-off, had a total of 16 concessions in Chile and 6 concessions in Ecuador (not counting the Cascabel concession held by ENSA), Bella Maria, Caña Brava, Shyri NW (containing the Vetas Grandes target), Bramaderos, and Tioloma (adjacent to Caña Brava). On January 5, 2017, the Company's subsidiary La

Plata Minerales S.A. (PLAMIN) was awarded the 4th concession in Ecuador called “Bramaderos”. On March 6, 2017, the Company announced that its joint venture partner, Ecuador State Mining Company ENAMI EP, 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 by the ENAMI-CESA strategic exploration joint venture.

Results of Operations

For the three and six months ended June 30, 2018, compared with the three and six months ended June 30, 2017. The following results of operations exclude the discontinued operations resulting from the above-mentioned spin-off of exploration assets.

During the three and six months ended June 30, 2018, the Company had a net loss before other comprehensive loss of $1,513,552 and $3,479,468 compared to a net loss before comprehensive income of $1,700,387 and $2,949,376 for the three and six months ended June 30, 2017, respectively. During the three and six months ended June 30, 2018, the Company had other comprehensive (loss)/income of ($55,087,079) and ($98,663,284) compared to $456,834 and $62,176,642 for the three and six months ended June 30, 2017, repectively. The other comprehensive income relates to the change in valuation of the long-term investment in ENSA and the SolGold marketable securities from one quarter to the next. Refer to the financial statements for the three and six months ended June 30, 2018, as well as the year ended December 31, 2017, 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 continued operations of the Company during the three and six months ended June 30, 2018, were $1,418,181 and $3,105,987 compared to $1,520,519 and $2,513,306 for the three and six months ended June 30, 2017. The most notable variances in expenses from the three and six months ended June 30, 2018 compared to 2017 are:

> ***Exploration and evaluation expenses*** were $235,277 and $499,549 compared to $431,360 and $555,903, for the three and six months ended June 30, 2018, compared to 2017. 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 below). In 2018, the Company focused on the plan of arrangement rather than actively pursuing additional exploration claims in Ecuador. As a result the exploration expenditures in Q2 2018 were significantly lower than in Q2 2018.
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> ***General & Administrative expenses*** were $312,389 and $614,263 for the three and six months ended June 30, 2018 compared to $355,933 and $708,301 for the same period in 2017. The decrease during the period is due to the fact that in 2018, the Company was able to reduce overhead costs at its office in Quito compared to 2017.

Share based payments expenses were $204,925 and $788,423 for the three and six months ended June 30, 2018 compared to $268,645 and $540,838 for the three and six months ended June 30, 2017. Stock options which would have vested during the six months ended June 30, 2018 compared to June 30, 2017 would have been issued at a higher exercise price and as such would have a higher Black-Scholes valuations. As a result vesting options in the six months ended June 30, 2018 compared to June 30, 2017 would have a greater impact on the income statement.

There were no stock options granted in the three and six months ended June 30, 2018. All expenses incurred during this period related to options previously granted which vested in the current reporting period.

Consulting fees were $185,459 and $359,793 for the three and six months ended June 30, 2018, compared to $322,752 and $413,111 for the three and six months ended June 30, 2017, respectively. There was a timing difference in expenditures in Q1 and Q2 2018 compared to Q1 and Q2 2017. When the six month period is reviewed the only significant difference in the consulting fees were the bonuses paid out to the VP of exploration as well as other consultants in Q2 2017. There were no such bonuses paid in Q2 2018.

Accounting, audit and legal fees were $400,877 and $827,312 for the three and six months ended June 30, 2018, compared to $128,450 and $245,964 for the same periods in 2017, respectively. The increase is primarily an increase in legal and advisory fees relating to the circular prepared for the Cornerstone Capital shareholder meeting for the Spinout of the Exploration assets, legal fees relating to the acquisition of the SolGold's common shares, as well as other general corporate consultations.

Exploration and evaluation assets

Net property expenditures of $235,277 (2017 - $431,360) and $499,549 (2017 - $555,903) were incurred during the three and six months ended June 30, 2018 respectively. Please also see text in the "Operations Section" labelled ***Exploration and evaluation expenses.***

Geographical Area	**June 30, 2018 Exploration and Evaluation expenditures**	June 30, 2017 Exploration and Evaluation expenditures	**June 30, 2018 Exploration and Evaluation expenditures**	June 30, 2017 Exploration and Evaluation expenditures
	$	$	**$**	$
Ecuador	**235,277**	431,360	**499,549**	555,903

The exploration and evaluation expenditures from the spin out of the subsidiaries, pursuant to the Arrangement, has been reclassified from exploration and evaluation expenditures to discontinued operations as follows:

Geographical Area	**June 30, 2018 Exploration and Evaluation expenditures**	June 30, 2017 Exploration and Evaluation expenditures	**June 30, 2018 Exploration and Evaluation expenditures**	June 30, 2017 Exploration and Evaluation expenditures
	$	$	**$**	$
Ecuador	**(54,597)**	33,498	**103,804**	92,509
Chile	**3,379**	133,402	**99,961**	264,844
	(51,218)	166,900	**203,765**	357,353

Financial Conditions, Liquidity and Capital Resources

As at June 30, 2018, the Company had a cash balance of $7,127,715 (December 31, 2017 - $564,181) to settle current liabilities of $793,291 (December 31, 2017 - $455,312). 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.

Outstanding Share Data

As at June 30, 2018, the Company had 632,469,351 common shares outstanding. The Company had 27,143,501 options outstanding at June 30, 2018, at various exercise prices as shown in the following chart, and 86,289,811 warrants issued in connection with private placement financings.

The following table summarizes information about stock options outstanding and exercisable at June 30, 2018:

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	3,400,000	5	3,400,000	-	0.68
29-Jan-20	29-Jan-15	$0.10	1,843,500	5	1,843,500	-	1.58
04-Jun-20	04-Jun-15	$0.10	50,000	5	50,000	-	1.93
14-Jun-21	14-Jun-16	$0.05	2,633,334	5	2,633,334	-	2.96
08-Aug-21	09-Aug-16	$0.11	2,850,000	5	2,850,000	-	3.38
15-Nov-21	15-Nov-16	$0.15	8,866,667	5	8,866,667	-	3.11
12-Jul-22	12-Jul-17	$0.475	7,500,000	5	5,000,000	2,500,000	4.04
			27,143,501		**24,643,501**	**2,500,000**	

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 dollars.

	June 30, 2018 (USD) ($)	December 31, 2017 (USD) ($)
Cash	**1,397,042**	95,078
Receivables	**28,000**	44,600
Trade payables and accrued liabilities	**(98,413)**	(70,892)
Net US dollar exposure presented	**1,326,629**	68,786

Based upon the above net exposures to US dollars, as at June 30, 2018, 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 $132,663 (December 31, 2017 - $6,878).

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 June 30, 2018, the Company had a cash balance of $7,127,715 (December 31, 2017 - $564,181) to settle current liabilities of $793,291 (December 31, 2017 - $455,312). 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 valuation of ENSA was based previously based on a modified market model using the trading price of the 85% owner of ENSA, SolGold Plc ("SolGold"). SolGold issued the Alpala Maiden Mineral Resource Estimate ("AMMRE") and as a result Cornerstone management engaged an external expert to perform a valuation of the ENSA investment based on the indicated and inferred mineral resources in the AMMRE. This was estimated by observing the market capitalization of public companies that have identified copper resources in the same area and applying that market capitalization to the identified ore body in order to come up with a price per pound of the identified in situ ore body. The result was an in situ value of $0.025 per pound of copper. This value was then subject to a marketability discount of 5% and an minority ownership discount of 15%. The model is most sensitive to the in situ price of copper as determined through analysis of the market capitalization of public companies with identified copper resources that operate in the same area.

As at June 30, 2018, a 10% increase/decrease in the insitu price per pound of Copper would result in an increase/decrease in the fair value estimate of ENSA of approximately $2.74 million keeping all other variables constant.

As at June 30, 2018, a change in the marketability discount of 5% (decrease to 0% or increase to 10%) would result in an increase/decrease in the fair value estimate of ENSA of approximately $1.37 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.

The following table presents the fair value, categorized by key valuation techniques and unobservable inputs used within Level 3 as at June 30, 2018, and December 31, 2017.

Description	Period	Fair value ($)	Valuation technique	Significant unobservable input(s)	Range of significant unobservable input(s)
ENSA	**June 30, 2018**	23,700,000	Modified market approach	In situ value per pound of copper	5%-10% discount
ENSA	**December 31, 2017**	125,757,292	Modified market approach	Marketability of shares	5%-10% discount

Interest rate risk
As at June 30, 2018, and December 31, 2017, 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 six months ended June 30, 2018 and 2017. 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 and six months ended June 30, 2018, Mr. Macdonald billed a total of $78,346 (2017 - $235,926) and $154,180 (2017 - $279,388) respectively. The Company may terminate the contract without cause by paying the President and CEO 24 months consulting fees at any time.

Sabino Di Paola, who serves as the CFO and Corporate Secretary for the Company, provided the Company with management consulting services. During the three and six months ended June 30, 2018, Mr. Di Paola billed a total of $45,000 (2017 - $49,700) and $84,000 (2017 - $75,100) respectively, for accounting and management consulting services. The Company may terminate the contract without cause by paying the CFO a lump sum equal to $75,000.

Dave Loveys, who serves as a Director and consultant for the Company, provided the Company with management consulting services. During the three and six months ended June 30, 2018, Mr. Loveys billed a total of $7,613 (2017 - $Nil) and $7,613 (2017 - $Nil) respectively.

During the three and six months ended June 30, 2018, non-management directors of the Company were paid/accrued stipends of $32,500 (2017 - $32,500) and $65,000 (2017 - $65,000) respectively.

Compensation for the three and six months ended June 30, 2018, for key management personnel, not included above, is $275,849 (2017 - $362,411) and $924,343 (2017 - $699,103) respectively, which includes salary and other short-term benefits of $78,246 (2017 - $132,757) and $160,718 (2017 - $217,522) respectively, and share-based payments of $197,603 (2017 - $229,654) and $763,625 (2017 - $481,581) respectively. 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.

Acquisition of Mineral Properties

The Company's strategy is grass roots project generation followed by project level exploration usually with a partner which funds exploration costs. All properties which are under consideration for acquisition must initially pass through the Company's evaluation criteria. Properties which are 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 abandoned.

Off-Balance Sheet Arrangements

At June 30, 2018 and December 31, 2017, 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 partners. The Company plans to ultimately develop the properties, bring them into production, option or lease properties to third parties, or sell the properties outright. The Company typically uses an "earn-in" arrangement with partners, whereby the partner funds all the exploration expenditures in return for a percentage ownership in the project. The Company capitalizes all such property expenditures and reduces the property carrying value by payments received from its partners.

Details of material property agreements are disclosed by press release at the time of formation. Updates concerning the results of ongoing exploration programs are also updated by press release. Press releases issued by the Company, including those issued during the three months ended June 30, 2018, are archived at the Company's website www.cornerstoneresources.com. Regulatory filings are also available through www.sedar.com.

Business Changes

Creation of a SpinCo to maximize shareholder value

On July 13, 2017, the Company announced that it plans to spin off all of its assets except for its interests in the Cascabel concession in Ecuador and shares of SolGold plc into a new, well-funded exploration company called Cornerstone Exploration Inc. ("SpinCo"). SpinCo will own the drill ready Bella Maria, Vetas Grandes and Bramaderos properties in Ecuador, and the option to own 100% Cana Brava, a drill ready property in Ecuador, the Tioloma property surrounding Cana Brava, the pending applications for new properties in Ecuador made by Cornerstone Capital's subsidiary La Plata Minerales S.A., and the Miocene property in Chile, in addition to Cornerstone Capital's generative exploration databases for Ecuador and Chile.

The Board of Directors of Cornerstone Capital are also evaluating the transfer to SpinCo of Cornerstone Capital's interest in the generative exploration joint venture with Ecuadorian state mining company ENAMI EP, a joint venture which is currently exploring nine highly prospective concessions to the east, south, and south-west of the Cascabel concession.

Cornerstone Capital shareholders will receive shares of SpinCo on a pro rata basis, and Cornerstone Capital will be changing its name to Cascabel Gold & Copper Inc. Details of the proposed spin-off will be contained in an information circular to be mailed to Cornerstone Capital shareholders and filed on SEDAR. Cornerstone Capital has applied to list the shares of SpinCo on the TSX Venture Exchange. The spin-off is subject to TSX Venture Exchange approval, shareholder approval having been obtained on December 14, 2017.

Exploration Outlook

Cascabel Joint Venture with SolGold Plc

Funded by joint-venture partner SolGold Plc 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: Alpala deposit Maiden Mineral Resource Estimate ("MRE") of 430Mt @ 0.8% Copper Equivalent (CuEq[1]) Indicated and 650Mt @ 0.6% CuEq Inferred (3.4 Mt CuEq Indicated 4.0 Mt CuEq Inferred) at 0.3% CuEq cut off (see news release dated January 3, 2018). Contained metal content totals a current 2.3 Mt Cu and 6.0 Moz Au Indicated and 2.9 Mt Cu and 6.3 Moz Au Inferred. Higher grade core has a current 70Mt @ 1.8% CuEq Indicated (1.2Mt CuEq) and 50Mt @ 1.8% CuEq Inferred (0.8 Mt CuEq) at a 1.1% CuEq cut off. A further 50 Mt @ 1.0% CuEq Indicated (1.0 Mt CuEq) and 50 Mt @ 1.0% CuEq Inferred (1.0 Mt CuEq) is added to the high-grade core if a 0.9% CuEq cut off is used. Exploraciones Novomining S.A. ("ENSA"), an Ecuadorean company owned by SolGold and Cornerstone Capital, holds 100% of the Cascabel concession. 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 Capital will own the remaining 15% of ENSA. In addition to the 15% direct interest in Cascabel, Cornerstone Capital owns ~10% of the shares of SolGold, for a total 23% economic interest in the deposit.

Over 123,500m of drilling has been completed on the project. With 12 rigs currently active on the project (10 rigs drilling on the Alpala cluster, and 2 rigs drilling at the Aguinaga prospect, project operator SolGold produces some 10,000m of core every month. The Cascabel drill program currently focuses on extending and upgrading the status of the Alpala Resource, as well as further drill testing of the rapidly evolving Aguinaga prospect. Drill testing of the Trivinio target has commenced, while the numerous other untested targets, namely at Moran, Cristal, Tandayama-America and Chinambicito, are flagged for drill testing as overall program demands allow.

SolGold has appointed feasibility management to initially address the production of a preliminary economic assessment (PEA), prior to the prefeasibility and feasibility studies.

[1] The MRE is reported using a cut-off grade of 0.3% copper equivalent (CuEq) calculated using [copper grade (%)] + [gold grade (g/t) x 0.6] based on a copper price of US$2.8/lb and gold price of US$1,160/oz.

The resource at the Alpala deposit boasts a high grade core which, in the event of the construction of a mine, is targeted to facilitate early cashflows and an accelerated payback of initial capital. SolGold, has reported it is planning further metallurgical testing, completion of a Preliminary Economic Assessment, and is investigating both high tonnage open cut and underground block caving operations, as well as a high grade / low tonnage initial underground development towards the economic development of the copper gold deposits at Cascabel.

Joint Venture with Ecuadorian State Mining Company ENAMI

For the next 2 years, Cornerstone Capital plans an aggressive prospecting program within the ENAMI-CESA strategic exploration joint venture (announced June 14, 2016), and on other high priority target areas within Ecuador. 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. As noted above under Results of Operations, on March 6 and 14, 2017, ENAMI was granted a total of 9 mineral concessions for exploration by the ENAMI-CESA strategic exploration joint venture.

A heli-borne magnetic survey (begun in December 2017 but terminated after 35% completion in early 2018 due to bad weather) is expected to be re-commenced in September or October 2018.

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 make application to the Ministry of Mining ("MM") 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.

Other Exploration (to be continued by the proposed SpinCo)

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 Capital and Newmont. However, at the end of January 2018 the government suspended the applications of a number of companies, including Cornerstone Capital's applications. Cornerstone Capital, 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. The suspensions do not affect any of Cornerstone Capital's other properties for which concessions have already been granted and recorded.

In addition to generative work, the Company will be making plans to drill the following projects. 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 Capital 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 the right to earn a 51% interest in the project by spending US$3.4 million over 3 years to complete a phase 1 drill program. If this first option is earned, 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 17-08 dated April 10, 2017).

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 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 Capital 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^2 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.

An updated EIA report, recording the positive local response to the EIA process at Bramaderos, has been submitted to the Ministry of Environment. Contact is being maintained with the Ministry and significant effort is being directed towards receiving the permit to allow for drilling, which is expected to begin in the Fall of 2018 following Ministry approval and issuance of an environmental license.

Preparation of drill access tracks and drill pads at West Zone and Bramaderos Main is underway to allow for an efficient start to drilling once the permit is received. A short list of drill contractors has been identified and the selection of the preferred contractor is imminent.

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

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

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. He has been active since then mapping stakeholders, meeting with local authorities and leaders, presenting the company and the project. We began the EIA base line study in June 2018 and expect it to be completed by end of August 2018.

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

On February 26, 2015, the Company announced results from prospecting and geological mapping surveys carried out during 2014 on its Caña Brava property located in south-central Ecuador. 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 study and consultation process. The report sumitted to the Ministry of Environment (ME) in early January 2018. The report is currently under review by ME.

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 $350,000 balloon payment may be made early, and the option exercised at any time, in which case the remaining semestral payments in the schedule do not have to be made (all amounts are US$). 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.

Bella Maria – Gold (100% Cornerstone Capital)

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 Cangrejos 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.

A request to carry out an EIA was submitted to ME in 2018Q2. Upon approval, an EIA will be carried out to allow for a drilling program for testing the exploration targets defined by the previous surface exploration programs.

Tioloma – Gold (100% Cornerstone Capital)

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 Capital does not intend to conduct further exploration work at Tioloma at this time. Cornerstone has not allocated any funds for exploration expenditures at the Tioloma property.

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

The Chile-Miocene project will be promoted to potential funding partners, or the SpinCo may decide to advance it without a partner.

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. Cornerstone's historic investment in the Miocene property was largely predicated on this proximity to the Titan project which, during the years from 2012 to 2014, showed promising surface results. Subsequent drill work at the Titan project during the years 2015 to 2017 was less promising and Yamana Gold Inc., who was interested in the Titan project, dropped its option in respect of the project. As a result of these developments, Cornerstone has decided to not conduct further exploration work at Miocene at this time and has not allocated any funds for exploration expenditures at the Miocene property.

No additional work is currently planned for this property.

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., 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 mining investment conferences, and on-going investor communications through timely news releases and regular targeted updates.

Risks and Uncertainties

The Company is principally involved in mineral exploration, which is an inherently high-risk activity. Exploration is also capital intensive and the Company has no sources of funding other than financing arrangements with other mining and exploration companies and equity financing. Only the skills of management and staff in mineral exploration and exploration financing serve to mitigate these risks. 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.

The Company has a simple business model, one which is as low risk as possible in such a high risk business as mineral exploration: to generate diversified exploration projects at low cost to the Company, to attract partners to finance further exploration and to be the operator on the majority of these projects which allows the Company to transfer personnel and administration costs to the project on a cost plus basis, thereby maintaining a lower burn rate. The more projects that can be generated and the longer the company can obtain financing the better its chances for achieving success. The Cascabel project in Ecuador is an example of the Company's success in generating prospects with excellent potential for large discoveries.

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 and may be affected by undetected defects. Exploration activity is also dependent on the laws of local governments, including aboriginal governing bodies, which may change from time to time, and may have an effect on the Company's exploration programs.

The Company is subject to political risk, operating in foreign jurisdictions. The Government of Ecuador, which on March 5, 2012 signed its first major mining development agreement for the Mirador copper project and has agreed on the terms of a development agreement with Lundin Gold for advancement of the Fruta del Norte gold deposit, is increasingly welcoming environmentally friendly, socially responsible, sustainable mining development and the Company is positioning itself to be a major player and a partner of choice in Ecuador.

Selected Financial Information

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

As at December 31,	**2017**	**2016**	**2015**
	$	**$**	**$**
Net comprehensive income	3,232,961	61,084,049	-
Net loss	(7,835,575)	(2,833,094)	(3,121,541)
Operating loss	(6,816,412)	(2,511,125)	(3,121,541)
Net loss from discontinued operations	(1,019,163)	(321,969)	-
Exploration and evaluation expenses	(419,245)	(351,957)	(773,291)
Loss per share - basic and diluted	(0.02)	(0.01)	(0.02)

Summary of Quarterly Results

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

	June 30, 2018 $	March 31, 2018 $	December 31, 2017 $	September 30, 2017 $
Net loss	(1,513,552)	(1,687,438)	(1,659,430)	(3,226,935)
Other comprehensive loss	(55,087,079)	(43,576,205)	(40,703,450)	(3,655,931)
Loss per share - Basic and diluted	-	-	-	(0.02)

	June 30, 2017 $	March 31, 2017 $	December 31, 2016 $	September 30, 2016 $
Net loss	(1,700,221)	(1,248,989)	(1,145,486)	(548,082)
Other comprehensive income	(2,519,172)	61,719,808	63,917,143	-
Loss per share - Basic and diluted	(0.01)	(0.01)	-	-

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

The following standards are effective for annual periods beginning after January 1, 2019, with earlier adoption permitted. The Company has not early adopted these standards and is currently assessing the impact they will have on the financial statements.

IFRS 9 - Financial Instruments - A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement has been issued and is effective for annual periods beginning on or after January 1, 2019. The standard contains requirements in the following areas: classification and measurement, impairment, hedge accounting and de-recognition.

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. It will be applied retrospectively for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied.

Contingencies

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

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

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 June 30, 2018, and other information concerning the Company are archived at the Company website www.cornerstoneresources.com. Regulatory filings are also available through www.sedar.com.