

# THE National Investor

October, 2020

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Company Profile

## ***COMPANY PROFILE: CORNERSTONE CAPITAL RESOURCES (TSXV-CGP; OTC-CTNXF)***

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***During a past visit to Cascabel -- Above, L to R: Cornerstone V.P. of Exploration and Ecuador Country Manager Yvan Crepeau; SolGold, plc Head of Exploration Jason Ward; Cornerstone Pres/C.E.O. Brooke Macdonald; Cornerstone Director Colin McKenzie; Former Cornerstone C.F.O. Sabino di Paola and Yours truly.***

\* Cornerstone's combined 21.4% interest in the Tier One Cascabel Copper/Gold Project it obtained and launched exploration on back in 2011 is its most considerable—and sought-after—asset.

\* Prospect generator Cornerstone also has several other promising “irons in the fire”: including collaborations with Australia's Sunstone Metals, global gold major Newcrest Mining and Ecuador's own state mining company, ENAMI, EP.

\* Near-term catalysts *and even potential M&A event(s)* have eyes on Cornerstone more than ever as new events *now* open up Cascabel especially to a potential heightened contest over ownership/control.

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From the desk of Chris Temple, Editor & Publisher

*The National Investor*

First, I would like to thank you, on my behalf as well as on behalf of the management of Cornerstone Capital Resources for your interest in this Special Issue of *The National Investor*. As you'll read, this long-tenured "story stock" among my recommendations has undergone some changes since I first got to know it: **most of all, the decision to go "all-in" on Ecuador.**

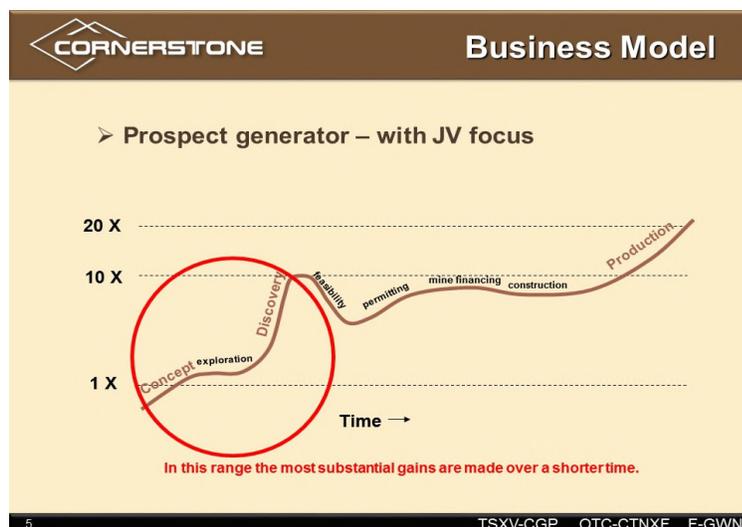
Ultimately, as many of you already know and have enjoyed, Cornerstone was vindicated in taking what not a few back when considered a major risk. Most noteworthy, the company obtained the Cascabel concession at the beginning of 2011, as the then-moratorium on new mining claims in Ecuador started to lift. **Fast –forward to today: Cascabel has emerged as one of THE most exciting new copper-gold discoveries on the planet in recent years!**

With the macro environment and MANY factors I look at favoring *both* gold and copper longer-term (albeit for different reasons in some ways) it makes sense for investors to have exposure to what I have called development-ready copper-gold "elephants." And Cascabel is on my very short list of the companies you should have in your portfolio to capitalize on both dynamics; as well as on—*specifically*, in this case—Ecuador's own emergence as a new, favorable mining jurisdiction.

## **INTRODUCTION; CORNERSTONE GOES "ALL-IN" ON ECUADOR**

I first became acquainted with then-Newfoundland and Labrador, Canada-based Cornerstone Capital Resources at a mining industry conference in San Francisco in the late 1990's. One of the first things that struck me as I met and got to initially know "Prospect Generator" Cornerstone's co-founder and then-C.E.O. and Chairman Glen McKay (who is now retired) was when Glen told me that I should NOT yet recommend the company!

Cornerstone had been in the process of going public; **in fact, the company was the very first one to be listed on the then-new Toronto Venture Exchange (TSX-V)** which essentially replaced all the old (and often loosely-regulated) provincial exchanges for small companies. Glen explained to me that he appreciated my interest in the company's business model and plans, but that I should watch for a couple needed events to take place to ensure that the company's overall launch was successful.



Someone in my position--especially at such venues--does not often hear such things. Glen's candor is the type of thing I found especially valuable; after all--when researching opportunities among smaller, risky companies—**MANAGEMENT and its forthrightness is key.** And though Glen has not been part of Cornerstone's full-time management for quite a while, he and others have always seen that the company is run by the same type of people: solid, conservative business people who "stick to their knitting," don't overreach and over the years have managed to accomplish a lot with a little.

Early on, CGP was chiefly focused on Eastern/Atlantic Canada, occasionally able to monetize its early work on both precious and base metals projects by farming them out/turning them over to larger companies. Using this **Prospect Generator Model**—as do some other companies—leaves the company free at times to do greenfield work/discoveries multiple places; and then bring in a “Big Brother” later to spend most/all of the money to further exploration, with Cornerstone retaining an interest.

**Along the way, Cornerstone—which had even then some unique ties to and access to proprietary historical information in Ecuador—was beginning to look at that “frontier” mining destination more closely.** It was one of numerous companies whose excitement REALLY picked up following the Fruta del Norte gold discovery news back in 2006. This world-class, high-grade gold deposit was discovered by the former Aurelian Resources; it is now owned and being produced by Lundin Gold. *A frantic staking and exploration rush followed that FdN discovery.*

The trouble was, Ecuador for the many reasons I have previously chronicled was institutionally unprepared for all this. Too many concessions were being granted to non-mining company speculators whose intention was to “flip” them to mining companies at a profit without adding any value. Bribery of some government officials back then was also alleged. A new president, Rafael Correa, called a “time out” in April, 2008 and froze pretty much everything for almost three years; this move (*misunderstood and still misrepresented to this day by some*) to bring order, transparency and honesty to the process.



**Indeed, Correa was heartily in favor of Ecuador developing its legal, first-world-scale mining industry** (at left, Correa, center, during a visit to Fruta del Norte; Lundin's C.E.O. Ron Hochstein is on the far right.) In addition to the steps he took to clean up the much-rumored graft, etc. in the immediate post-Aurelian staking rush, he later—once the concession process reopened in early 2011—did *more*.

Among those other things, he saw to it as best he could that Ecuador would be a competitive destination for the global mining industry **by hiring internationally-respected consultancy Wood Mackenzie to work with the government to craft a tax, royalty and related regimen.** Wood Mac worked directly with Correa's Mining Minister Javier Cordova (far left in the above photo at FdN; and center in the right photo with Yours truly on the left, and Cornerstone's Yvan Crepeau on the right.)



In that latter instance (during my *first* visit to the country of 2016) Cordova quite caught me off guard, I must say. In years past when I have dealt with government officials in North America, the attitude more often than not is *they* have all the answers (though they usually *don't*.) Cordova—quite to the contrary—went to great pains to explain that Ecuador was inviting *to the point almost of pleading* for any good, sound advice from anyone who would help them craft the right regimen for that country!



Backing up a bit again: When Correa started lifting the moratorium at the beginning of 2011, **Cascabel was one of the first concessions released.** Cornerstone had purchased the rights and the included, previously-granted permits from a prior owner. That news—and the overall huge rally for resource stocks from the late 2008 lows reaching a manic peak—pushed *CGP shares to a high they have not seen since.* As some of you reading this remember, I told people to start selling ALL our resource-related holdings at least partially, including Cornerstone.

Though I advised (as I do with *companies* I like, even when the big picture might be unfavorable) that people still retain a smaller stake, I had NO idea the resulting bear market for resource stocks would draw so much blood. **And further, it was debilitating to smaller companies, whose financing was drying up as the bear market that began in 2011 deepened; this included Cornerstone.**

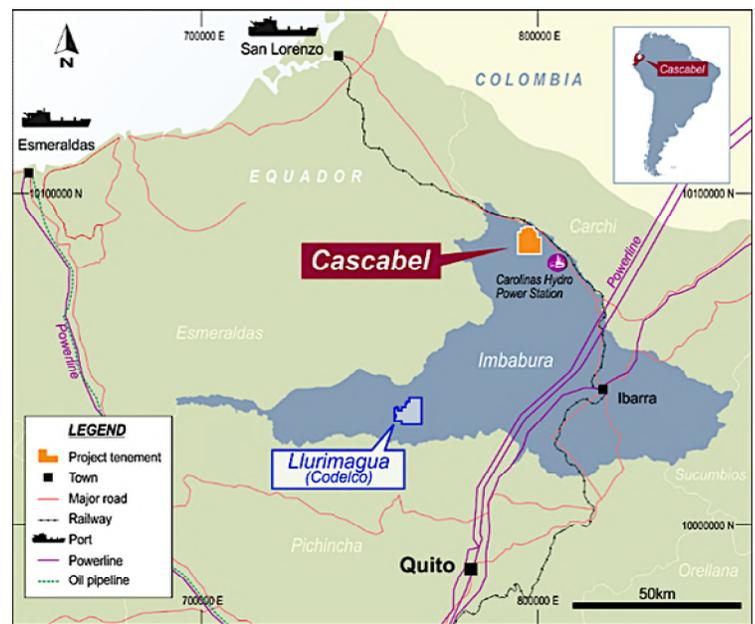
*For this little Prospect Generator, a monumental decision was forced by these circumstances.*

By early 2013, it was beginning to look as if Cornerstone might possibly end up on the casualty list of those little exploration-focused companies that didn't survive this latest downturn. The company was low on cash, and its shares plumbed a low of C3 cents each. **In order to survive, the company essentially had to transform itself; and make itself more speculative on the one hand, but potentially more rewarding on the other if its decisions panned out.** Though the company had started its exploring in Ecuador back in 2005 through its wholly-owned subsidiary, Cornerstone Ecuador S.A., the intention *had been* to focus more on that country's largely "virgin" territory *over time.*

But already, Cornerstone was at a critical place where it could no longer maintain everything it had at the time. **It made the decision to sell or abandon its Canadian assets and essentially go "all in" on Ecuador.** As I told my Members when it did so, this changed the company into an even more speculative one than such explorers are by definition. But at the same time, I added, Cornerstone also became a "potentially higher-reward play." A company that built a reputation for achieving what it did by being a singles hitter was now "swinging for the fences."

**That move has since been vindicated, as many happily know.** While still the operator of Cascabel, early drilling started to show even more promise that **the Alpala and other prospects within Cascabel** might host one or more world-class, gold-enriched copper porphyries. Indeed, you can see the pop in early 2014 on that chart above, on some of those early, HUGE drill results (though the bear market for resource stocks wasn't over.) Now, of course, it is; *and* we have since seen more of Cascabel's own promise, on further exploration work by **J.V. partner SolGold, plc (TSX-SOLG; OTC-SLGGF).**

# CASCABEL EMERGES AS A WORLD-CLASS DISCOVERY AND RESOURCE

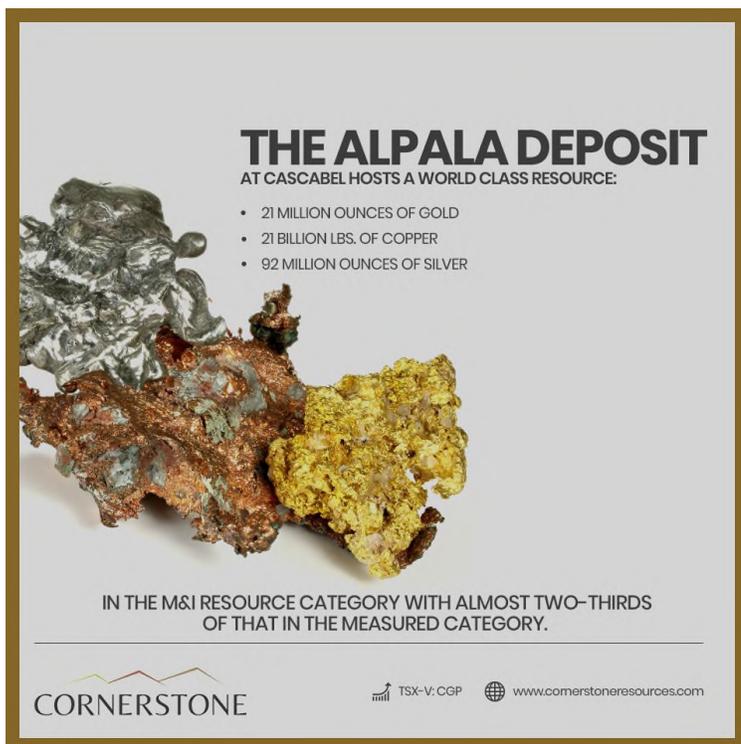


*Above left, a country map of Ecuador showing all of Cornerstone's various interests/concessions. At right, one of northern Ecuador specifically, showing Cascabel's location in northern Imbabura Province.*

Located in the Imbabura Province in northern Ecuador, Cascabel (translated, *Rattlesnake*) is located approximately 120 km north of Ecuador's capital city, Quito, and 20 km south of the Colombian border. The property covers a *substantial* area of 50 km<sup>2</sup> and lies at elevations ranging from approximately 750 to 2,100 meters above sea level. Access is excellent; via a paved road from the coastal city of San Lorenzo to the provincial capital of Ibarra, and secondary, well-maintained gravel roads to the central part of the property.

Cascabel is located within the Western Cordillera of the Andes Mountains, which hosts numerous world class gold-copper deposits from Chile, to northwards through Peru, Ecuador and Colombia. Large undeveloped deposits *also already discovered* in the Cascabel region include—most notably—the nearby Llorimagua porphyry copper-molybdenum resource. It is owned jointly by Ecuador's State Mining Company, ENAMI, EP and Chile's state-controlled miner Corporación Nacional del Cobre (**Codelco**), *considered the world's largest copper and molybdenum producer.*

**Codelco's involvement here underscores the belief held near-universally in the mining industry: that Ecuador is set to emerge as THE major new copper producer in the world in particular.** Already, South America overall accounts for over 40% of *global* copper production; and as I (and others) have explained elsewhere, the emergence of the future "Green Economy" *especially* will require more copper production than ever before, even if the world in the end uses less "fossil fuels." Ecuador's role in providing the additional copper needed has already started: the Mirador copper mine in Southeast Ecuador is now in production, and generating revenues for the government.

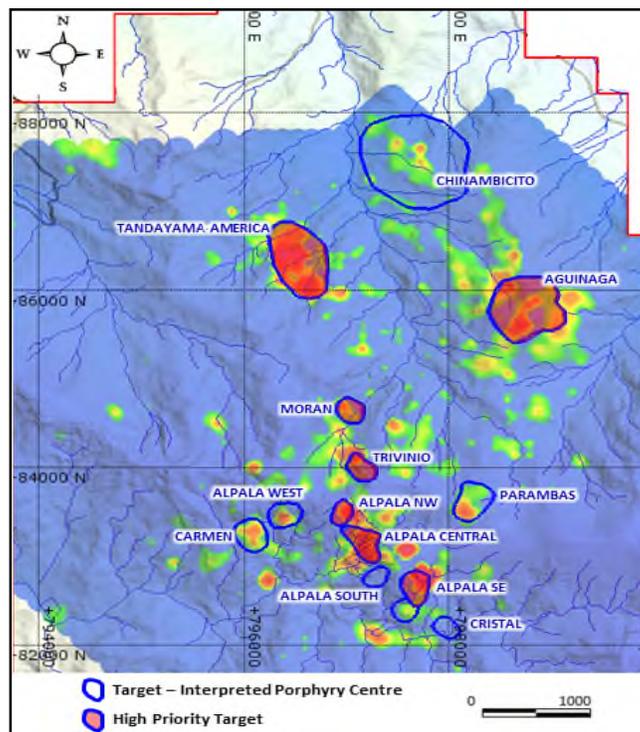


**THE ALPALA DEPOSIT**  
AT CASCABEL HOSTS A WORLD CLASS RESOURCE:

- 21 MILLION OUNCES OF GOLD
- 21 BILLION LBS. OF COPPER
- 92 MILLION OUNCES OF SILVER

IN THE M&I RESOURCE CATEGORY WITH ALMOST TWO-THIRDS OF THAT IN THE MEASURED CATEGORY.

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By all appearances, the Cascabel concession area (SolGold owns 85% and Cornerstone 15%, with CGP’s portion carried through to the point where SOLG delivers a bankable feasibility study) **could be producing copper (and gold, with some silver and moly) for generations to come.** Notably, the likely resources *already* identified there put Cascabel among the top handful of copper-gold resources in the world: 21 million ounces of gold and 21 *billion* pounds of copper. AND, these resources are in just one area (Alpala) at Cascabel, which still is believed to hold FAR more resources in numerous other areas.

Early on, as some initial assays even by Cornerstone’s drilling (prior to J.V. partner SolGold becoming operator) showed copper-gold grades well beyond those of many other major porphyries in the world, skeptics abounded. **That is chiefly due to the depth of the Alpala mineralization; too deep to economically extract by open pit mining and which will require block caving and ramping to extract.** Yet, additional drilling over the last few years (several intercepts have shown copper equivalent grades between 1-2% *over many hundreds of meters*) have made believers out of many: among them global mining giants BHP Billiton and Newcrest Mining and—most recently—royalty company Franco Nevada, which has so far loaned \$100 million to SolGold for a royalty on SOLG’s share of future revenues from Cascabel.

**Also a believer in Cascabel’s future is the Government of Ecuador:** at right, you see recent Vice Minister of Mining Fernando Benalcazar (right) examining drill core with SOLG’s Jason Ward. Those of you who have followed Ecuador generally know that the country just agreed to a debt restructuring deal with the International Monetary Fund; and a KEY part of Ecuador’s case to be able to pay its arrears in future years is as the country expects its



mining-related revenues—including from *Cascabel*—to increase over time.

**Ecuador was especially hard-hit by the virus pandemic during 2020**; and among countless other headaches, it has served to postpone operator/major partner SolGold’s previously-announced plans to update the market/shareholders on the growing Alpaala resource. Originally, the plan had been for a Prefeasibility Study (PFS) to be done and released by September 30; instead, on that date, the companies jointly announced that “...the COVID restrictions have limited physical access to site. This has resulted in critical geotechnical data not being available as required to meet the study plan and schedule as originally contemplated. SolGold has been working to recover lost time as a result of restrictions and is now in a position to update the market in respect of the schedule to completion...” *For more, see <https://cornerstoneresources.com/news-releases/20-27-pre-feasibility-study-update-alpaala-project-cascabel-concession-ecuador/>*

Now, though, *some* work has recommenced, and SOLG has been saying the PFS could be ready by as early as end of December. **In the meantime, the chatter/drama over numerous players’ positioning or potential positioning in this world-class, Tier One asset grows; more on that in a bit.**

## ***BRAMADEROS: “THE NEXT CASCABEL” FOR CORNERSTONE?***



Next, I want to fill you in briefly on perhaps the *second most*-noteworthy Cornerstone Project: **Bramaderos, in extreme southern Ecuador**. Notably, *the same team* has been involved in this discovery and exploration work *that led to the initial discovery at Cascabel*.

The Bramaderos Project is nearly 5,000 hectares in size, located in the Loja Province. Here, CGP’s J.V. partner is **Sunstone Metals (ASX-STM)** with an 87.5% interest; Cornerstone has a 12.5% stake carried through to start of commercial production and repayable at Libor + 2% out of Cornerstone’s share of earnings from an operation.

**As with Cascabel, one “problem” early on was, “Where do you start?”** The entire property—*as with pretty much the whole area in this part of the*

*country*—is underlain by clusters of copper-gold porphyries, with other vein and “stock work” mineralization (most of that leaning towards being more gold-heavy) mixed in. As I have written previously, that part of the country—along the Peru border, which comes up on both sides and envelops Ecuadorian territory—has perhaps THE most spectacularly “fertile” geology in the whole country, *as I have witnessed with my own eyes around Bramaderos*.

A good “primer” on this concession is at <https://www.sunstonemetals.com.au/about-bramaderos>.

As was the case with Cascabel previously, at Bramaderos as well Cornerstone's exploration and geological brain trust—led by V.P. Yvan Crepeau—first “set the table” with the initial discovery and greenfield work. Then Cornerstone looked to bring in the best “senior partner” it could find.

Many have forgotten or never knew to begin with (and the *present* management of SolGold is loath to admit this) that **back when Cornerstone entered a J.V. arrangement with SolGold on Cascabel, it was an executive named Malcolm Norris who was day-to-day running that company.** Further, SOLG's geologist back then—Bruce Rohrlach—worked with Crepeau also to craft the initial drilling strategy at Alpala, leading to the first BIG discovery holes there.

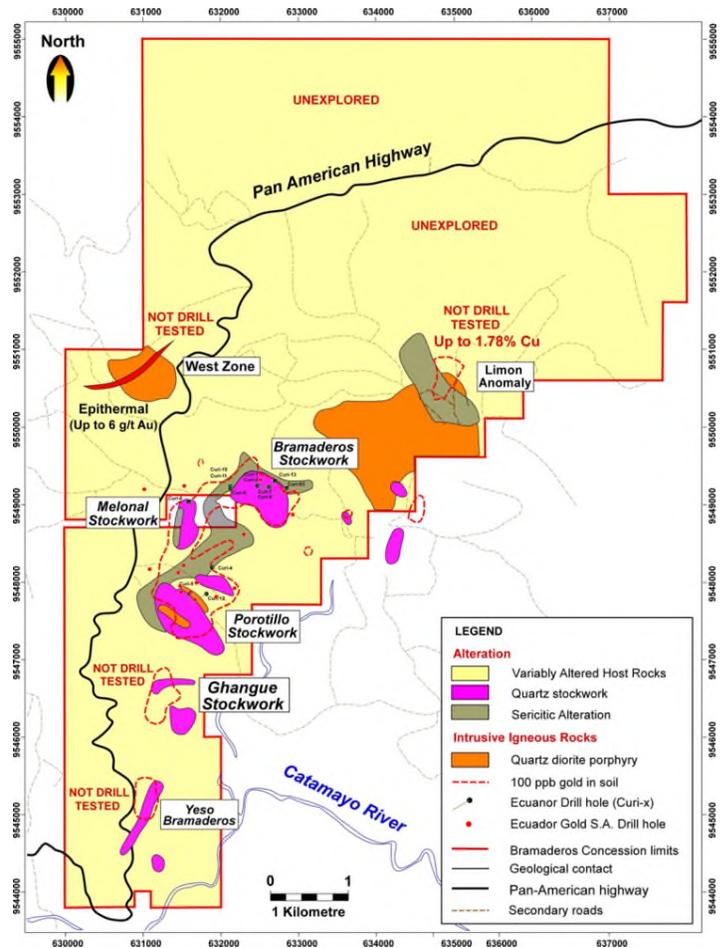
**Today, Norris and Rohrlach have those same offices with Sunstone.**

Similarly to the multi-decade potential that has been revealed at Cascabel, the Cornerstone-Sunstone partnership is hoping to ultimately find and develop *numerous* resources at Bramaderos as well.

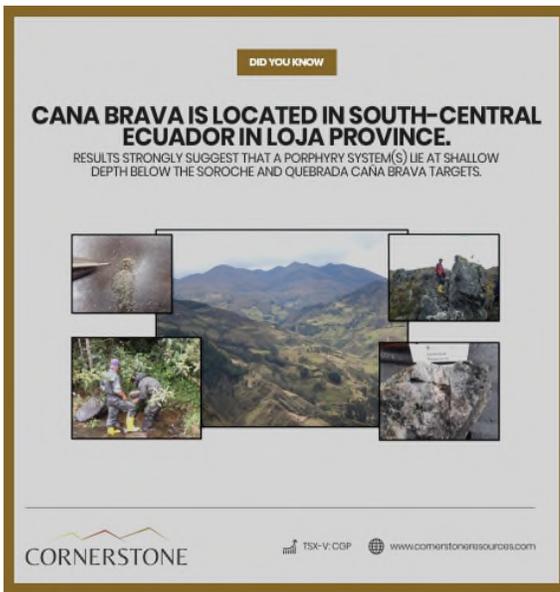
Last month, Sunstone announced that drilling of two different targets was getting underway anew; <https://cornerstoneresources.com/news-releases/20-24-drilling-underway-at-espiritu-gold-silver-target-at-bramaderos-gold-project-ecuador/> contains the details. Initially, the company will start slowly: an “...initial five-hole, 600m program at the Espiritu gold-silver target (which) is designed to test the depth extent of high-grade trench and rock chip samples and is expected to be completed in early October with assay results expected in mid-October.” *Thus, as this is being written, we shouldn't be far away from this news.*

The area to be drilled *specifically* was described in news released in mid-July; see that at <https://cornerstoneresources.com/news-releases/20-16-espiritu-trench-at-bramaderos-au-cu-project-ecuador-exposes-gold-silver-polymetallic-veins-intersecting-4m-at-415g-t/>. What is especially tantalizing here **is the potential polymetallic nature** along with the grades: the lead and zinc assays reported were eye-catching, along with the silver.

**As you can see in that above map also, there is no shortage of targets at Bramaderos; and Sunstone—which has set this project as its own flagship one and primary focus—has a LOT of plans.** I'd encourage you to spend some time at Sunstone's web site to learn more; particularly at <https://static1.squarespace.com/static/59436cb617bffca6a2a29e41/t/5f0f9eecd345283edcce4103/1594859276497/Investor+Presentation+16+July+2020.pdf> which is *highly* detailed on Bramaderos.



## OTHER PROJECTS



Though Cascabel for the most part has commanded almost all of the attention concerning Cornerstone (and SolGold) both companies have *numerous* other projects in Ecuador as well. In Cornerstone’s case, here is a fairly quick rundown:

\* To the Northeast of Bramaderos—still in *exploration and mining-centric* Loja Province—is **Caña Brava**. In February 2019, Cornerstone signed a farm-in and option agreement with Australia-based global giant **Newcrest Mining** for Cana Brava; Newcrest has the right to earn up to a 75% interest in the property.

To date, largely “greenfield” work has served to identify four mineralized zones. This project is drill ready and has an environmental registration for so-called “scout drilling.” A Phase 1 drill program of 15 holes/6,000m is planned for early 2021.

\* Cornerstone’s two *100%-owned* concessions in the country are the 23-sq.-km **Vetas Grandes** property, located to the Northwest of Bramaderos in Azuay Province and the **Bella Maria** project in El Oro province; that latter is pretty much due west of Bramaderos.

**Vetas Grandes is within a stone’s throw of INV Metals’ development-stage Loma Larga project;** a high-grade, underground gold deposit slated to be one of the next revenue-generators for Ecuador. Also having been known as the Shyri project, *this is one of the first that Cornerstone acquired in Ecuador back in 2005.* Straddling the Gañarin Belt—a 50 km-long regional feature which contains volcanic centres and associated high-level intrusions—**Vetas Grandes is riddled with visible vein structures of various kinds and is likewise thought to hold deeper copper-gold-moly porphyries.**

Vetas Grandes is currently on hold due to anti-mining sentiment in Azuay province where it is located that has intensified during the Presidential election season (**NOTE:** In the current issue of *The National Investor* that is being released very shortly after this Report, I go into considerable detail on the political situation and the looming early 2021 elections.)

As for **Bella Maria**, it likewise has numerous numbers and styles of targets. According to the company (see <https://cornerstoneresources.com/properties/ecuador/bella-maria/>, with links to descriptions, maps, geology, etc. on *all* of Cornerstone’s company’s prospects), *two* major highly-mineralized zones of gold mineralization have been identified, with several specific drill targets within them.

**Bella Maria is in a mining-friendly area,** bordering the NE corner of Lumina Gold’s Greater Cangrejos Project. Cornerstone just announced (Sept. 17) a work program that will include drilling; see <https://cornerstoneresources.com/news-releases/20-26-exploration-program-planned-at-bella-maria-gold-copper-project-ecuador/>. This added exploration work and drilling will run through part of 2021.

\* Uniquely, Cornerstone has from the start of things had among the BEST geological team presence and “intelligence” in Ecuador. That has garnered for them a **rather high-profile and important relationship with Ecuador's State Mining Company, Empresa Nacional Minera Empresa Pública , or ENAMI, EP.** Check out <https://cornerstoneresources.com/properties/ecuador/enami-strategic-alliance/> for the details of that partnership, which includes *several* different concessions.

Most noteworthy in the recent past, Cornerstone announced that potential copper-gold-moly porphyry targets had been identified at both the **Espejo and Rio Magdalena concessions** it holds with ENAMI. *Those are located to the northeast and southwest, respectively, of Cascabel.* For more, see <https://cornerstoneresources.com/news-releases/20-05-high-potential-porphyry-cu-au-mo-targets-discovered-at-espejo-and-rio-magdalena-projects-within-the-enami-ep-strategic/> for that Feb. 27 announcement.

**Prior to the COVID pandemic hitting, all signs were that Cornerstone and ENAMI would have planned for some more aggressive exploration this year; but that was not to be.** Notably, community meetings to inform the public had taken place; and more so, in this Imbabura Province, where several years back—prior to Cascabel’s emergence—there was *energetic* anti-mining opposition to Llurimagua. But the “locals” have been won over; and notably, the province’s elected leadership has been very overt in embracing this new industry and the jobs, new infrastructure and so much more it is *already* providing.

**What lies ahead is up in the air; that may include ENAMI’s very existence.** It is already fairly well known that the cash-strapped government has a “For Sale” sign on ENAMI’s share of Llurimagua, which could bring in several hundred million dollars for its share if a partner to everyone’s liking is found for Codelco (or that company simply buys up the rest.) Depending on the outcome of early 2021 national elections, we may as well see ENAMI simply fold its tent, selling its full and partial interests in what it has to the private sector. Time will tell; but Cornerstone, of course, will presumably retain at least its stakes in these projects, even if it ends up with different partner(s).

\* Last but not least, Cornerstone’s only *non-Ecuador* asset is **its Miocene Property in northern Chile.** Here also, targets include both deep copper-gold porphyries as well as epithermal gold-silver ones.

**Miocene is located in the Regions of Atacama and Antofagasta of northern Chile,** and along the interpreted northern extension of the Maricunga magmatic belt which hosts several world-class gold deposits. Significant epithermal mineralization has been discovered on neighboring properties along strike to the west of Miocene. As you can see at <https://cornerstoneresources.com/properties/chile/miocene/>, “...Although post-mineralization sediments and volcanics


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- World class gold and copper deposits
- Politically stable with established regulatory environment
- Long history of mining
- Experienced labour force and excellent infrastructure



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largely cover the Miocene project area, geological and geochemical data suggest that prospective Maricunga rocks underlie the area...”

**Newcrest Mining evidently thinks this is possible; and has entered into a J.V. agreement with Cornerstone at Miocene as well.** Here again, drilling that *would have* started during February-March of this year but was suspended due to the COVID -19 pandemic is now slated to take place during Chile’s austral summer season between December and April, 2021. For more of an update, see also

<https://cornerstoneresources.com/news-releases/20-22-cornerstone-update-on-the-miocene-gold-copper-project-chile/>



## TENSIONS (AND OPPORTUNITIES?) SURROUND CASCABEL; CORNERSTONE AS A “TARGET”

While Cornerstone’s other “irons in the fire” hold their own promise for the future—and could form the core of a future SpinCo—*everyone presently* is looking to what is going to happen (or *not*) where Cascabel is concerned.

I have written *extensively* for some time on the strained relationship between SolGold and Cornerstone. That has been chiefly in the most recent past due to SOLG’s hostile *and very low-ball* effort to effect a takeover of Cornerstone; *an offer which expired on October 14.*

Back on July 22, I discussed this now-failed hostile bid for Cornerstone in some considerable detail at <http://www.kereport.com/2020/07/22/chris-temple-a-discussion-on-the-solgold-hostile-takeover-offer-for-cornerstone-capital/>, in a 20+-minute discussion with Cory Fleck at the *Korelin Economics*



*Report.* Though that offer is now moot, I none the less encourage you to listen to that interview, **as it will give you a broad and needed understanding for events that may still lie ahead.**

Looking at a more recent chart compared to the one I shared of Cornerstone earlier, its four-fold gain from the March depths when *everything* had been briefly crushed **belies some investors’ view that—no matter what happens where SolGold specifically is concerned—Cornerstone and its fairly “clean” 21%+ interest in Cascabel could soon be acquired.**

And that the share prices of both Cornerstone and SolGold remain subdued

even after both have had nice recent moves suggests that if something happens that would meaningfully change the day-to-day control and decision-making of SolGold specifically, CGP *at least* should benefit.

Cornerstone management has not been shy about pointing out that—as *this updated Special Report is being released*—**SolGold’s major shareholder BHP Billiton is now free from a “standstill agreement” it had with SOLG as a result of a prior financing.** C.E.O./President Brooke Macdonald gave an interview to *Kitco News* late last month explaining why BHP now being free from this agreement could be a catalyst; you can watch that at <https://www.youtube.com/watch?v=tDA5Do9IKE&feature=youtu.be>.

SolGold’s now-dead offer for Cornerstone, as Macdonald explains, valued CGP’s share of the copper resource at 1.4 cents/pound; this compares to 7 cents/pound in similar, precedent acquisition scenarios. Indeed, as the company (Cornerstone) has pointed out, to be valued on a takeover fairly, *Cornerstone should at this juncture be fetching more like C\$18.00/share.*



**When SolGold first made known its intentions to try to acquire CGP on its own skewed terms back in early 2019, Cornerstone countered with a suggestion that the companies join forces more fairly and jointly put up Cascabel for sale.** Obviously, SolGold was not interested in that. But one way or another, speculation is abounding anew that things will somehow end up with more consolidated control on the part of who will end up developing Cascabel; perhaps despite current SolGold management, rather than because of it.

**Cascabel’s three major owners are as follows:**

1. **Cornerstone** at 21.4%; this represents its direct 15% carried interest and its present 7.6% ownership of SolGold equity.
2. **BHP Billiton**, via its 13.6% ownership of SolGold equity and
3. **Newcrest Mining, Ltd.**; also via its 13.6% ownership of SolGold equity.

As you know from the above-linked interviews (and for those who have followed this whole saga in even greater detail along the way with me in *The National Investor*) **Newcrest has been VERY public about its dissatisfaction with SolGold’s decision-making under C.E.O. Nick Mather.** You know about Cornerstone’s position.

*Free as well to make its own views/intentions known now, we are all waiting to hear from BHP.*

Everything for now, of course, remains speculation; whether by me or others. **And it should be taken as such.** But that said, no matter the questions surrounding Mather’s decision-making as a *manager and executive* at SolGold (and I’ll repeat here what I’ve said elsewhere: KUDOS to his team on the

ground for their GREAT exploration work!) **there is no question that *somebody* is going to develop the Alpala deposit at Cascabel, first off.** The question is *who*, and under what circumstances.

Mather insists it will be *him* and SolGold; and he points to his ability to get a recent \$100 million from Franco Nevada in a royalty deal (with an option for \$50 million more) to go to a bankable feasibility study and development-ready status. *Yet that came at tremendous cost*; not the least of which was making an open enemy of Newcrest, which pulled its representative from SolGold's board for good measure.

**The most logical thing a potential larger owner and/or developer would do near term is to buy Cornerstone; or at least, Cornerstone's interest in Cascabel.** That would be a relatively "clean" 21% or so ownership in Cascabel, *and considerable leverage*. If either Newcrest or BHP were the acquirer, such a purchase would give that company by far the single biggest piece of Cascabel. Several Bay Street and other analysts who follow Cornerstone as institutions have discussed this possibility.

What may or may not happen sooner could be **a special meeting of SolGold's board**; see <https://cornerstoneresources.com/news-releases/20-19-cornerstone-intends-to-requisition-solgold-general-meeting-to-be-held-in-late-october-2020-to-replace-entire-solgold-board/>. Cornerstone has called for this to replace the company's board. If both Newcrest (which is likely to do so) *and BHP* support this, major changes in SOLG's governance and decision-making could come about; that, in turn, might well bring about a more "peaceful" path between here and development of Cascabel!

For those not aware, SolGold is also on my recommended list (although—due to its own, *deserved* spurt of late on promising exploration news apart from Cascabel AND due to factors I explain in that regular issue of *The National Investor* immediately following this Special Issue) I have just again gone to a "HOLD" as of mid-October. I have a high regard for the great people Mather has brought on to further the work at Cascabel since they took over as operators the latter part of 2014. I have met and visited with several of them over the last several years. But SOLG's Mather as an executive does not have *my* confidence, either.

**SolGold at least needs a change in attitude, if not management.** On its present trajectory, the company will likely still not make it to a BFS before running out of money; indeed, last I knew in recent weeks, SolGold has already gone through *more than half* that first \$100 million it got from Franco. On his present course, Mather risks flying so close to the sun that he gets his wings burned off; and after having put himself and his company in such a compromised position later that HE will be the one fielding a VERY low-ball offer from a suitor. *Unlike Cornerstone just did to him, he would not be in a position at such a point to say "no."*

## SUMMARY

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\* **Cornerstone's early grassroots work in Ecuador has paid off.** Already, Cascabel is one of the most spectacular new discoveries in the world of recent years. The company's other assets similarly hold great promise.

\* **CGP's valuation at less than half its high at the beginning of 2011 remains ridiculous.** To a fair extent, this is because SOLG likewise is "cheap" for the kind of resources Cascabel contains.

Generally, those who follow *both* companies agree that these valuations are mostly the reflection of a lack of confidence in Mather's ability himself to carry Cascabel to development and exploitation, *with all that entails*; at least, not without possibly substantial additional dilution to present stakeholders.

**\* Looking at Cornerstone specifically, compare its less than C\$200 million present market cap to other exploration juniors.** There are numerous companies with such a market cap *and higher* that don't begin to have the present resources (at Cascabel), numerous other promising projects and such a J.V. partner as Newcrest.

**\* Near-term, it will be important to see how—and how soon—BHP weighs in.** As I explain in the regular issue of this publication pretty much concurrent with this, I fully expect them and Newcrest to be of a mind to keep SolGold dangling *financially*. How much they *do* aside from that directly—whether taking part in that special board meeting and/or locking up Cornerstone and getting that relatively easy part of things out of the way—*we'll see*.

## RISK / POTENTIAL “DELAY” FACTORS OF NOTE

**\* As I just alluded to, a “stalling tactic” over SOLG could negatively affect even Cornerstone, too, in the near term.** Clearly, some investors in the recent past have bought shares of *both* companies based on the idea that fireworks might start sooner rather than later on the M&A front. If they don't, the possibility of near-term weakness exists.

**\* My gut tells me we could be “down” to just BHP.** With other fish to fry (among them, the possibility of an acquisition of *all* of Fruta del Norte, if not Lundin Gold outright) Newcrest has enough on its plate; and may have soured, thanks to Mather, on going beyond its present ownership of Cascabel.

**BHP, on the other hand, I have to believe BADLY wants 21 billion pounds of copper and growing, along with the rest.** Having just spent \$2 billion-plus to bring desalinated water from the Pacific Ocean in to its huge Escondida copper mine in Chile to keep producing copper there, the abundant water around Cascabel and—thanks to former President Correa's massive infrastructure improvements—dirt-cheap electricity costs in Ecuador have to have BHP of a mind to pull the trigger when it is right *for them*.

**\* Cornerstone will shortly have to raise some money.** Thankfully, that will be coming much more now from a stronger position. But with less than C\$1.5 million on hand last I knew and with plans/the need to do some work on its ENAMI J.V. projects as well as, at least, Bella Maria, it will need to go to market for the first time in a while.

While I don't expect the company to look to raise such a large amount as to be very dilutive, if that comes in the context of BHP and/or Newcrest dragging their feet on everything, it could come with shares newly on the back foot somewhat. *Again, this is more a matter in my view of what could be bad near-term timing; nothing that negatively impacts the fundamental case for Cornerstone overall.*

## KEEP UP WITH THIS STORY!

\* Just a few days ago, C.E.O. Macdonald made a presentation to this year's “virtual” New Orleans Investment Conference. You can check it out at <https://www.youtube.com/watch?v=qHDT6wmBTuw&feature=youtu.be>

\* For more background still on Cornerstone, spend some time at <https://cornerstoneresources.com/>

\* In the recent past (as many of us have) Cornerstone has become more active on **its Twitter feed** as well; check it out and follow them at [https://twitter.com/Cornerstone\\_CGP](https://twitter.com/Cornerstone_CGP)

\* For my Members here at *The National Investor*, I regularly update them on developments related to Cornerstone, as well as my other recommended opportunities. So for my own web site, go to <https://nationalinvestor.com/>

\* For Yours truly on Twitter: <https://twitter.com/NatInvestor>

***Finally, if you have any questions or comments, write me at [chris@nationalinvestor.com](mailto:chris@nationalinvestor.com).***

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## **HOW TO PURCHASE SHARES OF CORNERSTONE CAPITAL RESOURCES IF YOU ARE A U.S. INVESTOR USING A U.S.-BASED BROKERAGE ACCOUNT**

For those of you who are U.S.-based investors and are *not* already used to buying shares of companies such as Cornerstone Capital Resources that are listed in Canada, I want to give you a quick and easy "tutorial." **It's MUCH easier than you think, if you have never done so, to buy such companies in any U.S. brokerage account!**

Many larger Canadian and other foreign companies have *primary listings* on more than one major exchange. For those listed on the New York Stock Exchange or the Nasdaq as well as Toronto, you need only buy/sell using the U.S. market. Generally, there would be no reason to check prices and such on the Toronto Exchange first in those cases.

More often than not, smaller companies for both cost and logistical reasons do not *list* their shares on a major U.S. exchange. *But they are still tradable in the U.S. via the Nasdaq's OTC Market.* All you need to know is the company's symbol; unlike most U.S.-listed companies, it will always be a *five*-letter symbol ending with an "F." In Cornerstone's case, its ticker symbol in the U.S. is **CTNXF**, while on Toronto it is **CGP**.

**The main consideration in buying shares of Canadian stocks via the OTC market is that *sometimes--if you look at the OTC quote first--you are not getting as fresh and accurate a price as you would if you went to the Toronto Exchange.*** You simply need to insure, via a simple process, that you are neither overpaying for a stock when you buy it, nor getting less than you should when you sell. That is easy to accomplish.

The most reliable and current quotes for shares of companies such as Cornerstone are to be found *first* on Toronto's Venture Exchange. Prices and volume activity are updated all through the trading day on the Toronto Exchange, just as they are on the N.Y.S.E. or Nasdaq, and are generally fresh.

*I will use the following example to show the simple process that will normally take you LESS THAN TWO MINUTES to enter a trade to buy Cornerstone's shares via the OTC market in the U.S:*

1. First check the Canadian quote for Cornerstone, via its ticker symbol in Toronto, **CGP**. You'll find this at the Toronto Exchange's web site, at [www.tmx.com](http://www.tmx.com). Plug in "CGP." We'll say for purposes of this lesson that the current asked price for Cornerstone's shares is C\$5.90, *in Canadian currency*.

2. Next determine what that price is **in U.S. currency**. If you don't follow exchange rates on a daily basis, you can get a fresh picture by going to Kitco's web site, at [www.kitco.com](http://www.kitco.com) (or your own favorite one that lists currency differentials; there are many.) Near the bottom of Kitco's front page, you will find a table of various currency exchange rates. **At this writing the Canadian dollar, rounded off, is worth 76 cents in U.S. currency.**

3. Do the math as to what Cornerstone's U.S. asked (selling) price should be:

C\$5.90 per share X .76 = **US \$4.48 per share.**

4. Finally, enter a LIMIT ORDER to buy the number of shares of Cornerstone you want in your U.S. brokerage account at *or very near* that price. **I would first start with that \$4.48 per share; or to round it off, maybe \$4.50.** If the order doesn't fill right away, bump it up by a few cents once or twice until it does. You would use Cornerstone's 5-letter symbol, which is **CTNXF**.

It's that simple!

And, of course, you would do much the same thing when it was time to sell some of your holdings. But in the case of a sale, you would focus on *the bid price* listed on the Toronto Exchange's site for the company in question.

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**Don't forget that those of you so inclined can follow my thoughts, focus and all *daily* !!!**

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\* Via my (usually) daily podcasts/commentaries at <http://www.kereport.com/>

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