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Good morning, Chris --

Rather than wait until leading off the next regular issue with this, I want to send you this separate e-mail now that gives you my take on **those dueling press releases of yesterday morning between SolGold, plc and Cornerstone Capital Resources.**

Things kicked off in the wee hours yesterday, of course, with SolGold announcing its "...Intention to Make Offer to Acquire All Outstanding Common Shares of Cornerstone Capital Resources Inc." It is on SOLG's web site [RIGHT HERE](#).

I encourage you if you haven't already to *first* read that.

Within not too many hours' time, Cornerstone came back with its own response; see it [RIGHT HERE](#). *You should read that in its entirety as well.*

What follows is my own take on things. I speak not from any bias; my first job is to give YOU my best recommendations/advice in such a manner as YOU will be best served as this story continues to evolve.

The following is not exhaustive, but hits the highest and most important points you need to be aware of right now, in what is sure to remain a story with many moving parts.



During at least one harmonious visit where I was able to be with both companies' representatives; this (Yours truly at far right) during a late-2016 trip to Cascabel

*** There has long been acrimony and some "egos" at play between the two companies.**

At times, listening to SOLG's head Nick Mather, you would get the impression that *he* single-handedly discovered Cascabel (not true) and has shepherded it into THE biggest story to hit the global mining scene in some time (*some credit deserved here, of course.*)

For those who did not know or have forgotten, *Mather was not even the decision-maker at SOLG at the time several years back when CGP made its J.V. deal with that company.*

Cornerstone, of course, deserves credit for the *discovery* of Cascabel. Further, it deserves credit for keeping it in good stead through President Correa's moratorium/clean up of the mining sector in Ecuador back then and, indeed, *got Cascabel back in good standing immediately after that mining concession/activity moratorium was lifted.*

*** The clock is ticking against SolGold to, if possible, take out CGP *itself* at (to it) a good price.**

As you already know from my (and others') assessment of things, the arguably cheapest and easiest means for a major--the two leading candidates, of course, being Newcrest and BHP Billiton, each of whom now have stakes in SolGold--to get a larger piece of Cascabel **is to buy Cornerstone.**

SolGold knows this. And as I characterized it yesterday, its announcement to me made sense both practically and tactically. And the *general* idea that there could be a scenario under which it *does* make

sense for CGP to accept an offer to join up with SolGold is one I do not disagree with (though SOLG's "offer" yesterday was as ridiculous as the 2016 initial low ball offer BHP made to get into Cascabel, one which SolGold properly dismissed out of hand at the time.)

SolGold may have only but some *months*, though, before Cornerstone might get away from it, as I see things. Provided SOLG meets its own stated time table of coming out with a P.E.A. on Alpala around mid-year, it is probable that the valuations of both companies will be enhanced. The price tag will go up for Cornerstone; *and at a time when SolGold is likely to still have a need to further and perhaps massively raise money/dilute its shares further to keep all the drills turning.*

And in October, an effective "standstill agreement" between SOLG and Newcrest expires, freeing up that company if it so chooses to up its stake *one way or another* in Cascabel.

That, *separately*, **Newcrest recently became a J.V. partner with Cornerstone on the latter's Miocene Project in Chile** ([NEWS HERE](#), from December 10) I'm sure is not lost on SolGold.

*** For all its considerable money raising and share issuance, SolGold shares are *relatively* illiquid in the market.**

Most dramatically including yesterday, on an average day, Cornerstone trades MANY times more shares on the Toronto market than does SolGold. I go into *some* of the key reasons for this below.

But for present purposes, the relevant point here is that Cornerstone management is frankly concerned about doing a disservice to its shareholders if it takes them out of a more liquid stock and encourages them becoming SolGold shareholders. It doesn't take a rocket scientist following trading in *both* to determine that there is a *woefully* insufficient retail market for SOLG shares (and this, after all of Mather's bravado and promises a while back when he "up listed" SOLG from AIM to London's main exchange AND got SOLG listed in Toronto.)

A lot of good it's done!

*** A main reason for SOLG's *relative* illiquidity (certainly, for a company approaching *two billion* shares issued) is that--for all Mather's bluster otherwise in bringing Cascabel to prominence--he has done a HORRID and I would say for SOLG's own shareholders a *potentially disastrous* job when it comes to cultivating the retail investment markets.**

Some of you remember when, a while back, some major shareholders of SolGold "jumped ship" as it were and decided they wanted *their* exposure to Cascabel to be via Cornerstone. *One of those major shareholders--Warren Irwin, President and C.I.O. of Rosseau Asset Management--posted the following yesterday:*

"@BDMinefinder As the second largest Cornerstone shareholder, the world now knows why we swapped out SolGold shares into Cornerstone. There are several inaccuracies in the takeover release by SolGold. It is my strong belief that Newcrest is not blocked from a takeover of Cornerstone, perhaps in Nick's mind. Yes, there is no way we would merge with SolGold unless Nick was gone. Cornerstone is the key to getting a place at the table to get Cascabel, we will see shortly who has been sitting in the weeds waiting for the battle to start. It will be an interesting few weeks."

The last time I was able to have an extended conversation with Nick Mather myself, **I BEGGED him to (among *other related things*) stop treating SolGold's presence on the U.S. OTC market specifically (where it is tradable under the symbol SLGGF for those who didn't know) as some kind of unwanted bastard step-child.**

I got nowhere; and otherwise--just as also evidenced by Irwin's comments above--Mather has treated retail investment markets more broadly with, *at best*, indifference. *As I have explained more than once before, this is the key reason why (especially with the great majority of you being U.S. citizens) SolGold has never itself been a formal recommendation of mine.*

Even now, I might change my view and warm back up to the idea of SOLG as a formal recommendation IF it seemed as if Mather suddenly cared about courting and cultivating retail shareholders and providing a more liquid market for his shares. *But the situation sadly remains: if he doesn't care, why should I / we?*

*** Cornerstone itself is under no pressure to make any kind of deal; especially a bad one.**

On the surface, a legitimate point SOLG makes is that, were Cornerstone to accept a bid from SolGold, the need to deal with the accruing debt under their arrangement would be gone. True enough.

A couple thoughts and observations here, though:

The point at which Cornerstone would have to pony up actual cash to reimburse its share of exploration expenses SOLG is carrying (or otherwise have to reckon with one of the dilutive options *if it can't*) is **at least two-three years away**. It will take that long for SOLG to get through the coming P.E.A., then likely a Pre-Feasibility Study, and *then*

(following a *lot* more \$ spent and dilution to SOLG shares) that Bankable Feasibility Study triggering the requirement for Cornerstone to participate.

As SOLG needs to further dilute its own shares over time to get to that BFS, **the 15% direct interest of Cornerstone's in Cascabel is NOT similarly being diluted.** Over time, it gets to look better; and I daresay that even if it IS *present* Cornerstone management itself faced with coming up with the dough or some other arrangement to meet its obligation when a BFS is out, it might not be as hard as Mather makes out, *especially* if, as we all hope/expect, the story and value just keep getting bigger. . .

. . .which may all be moot to worry about anyway, since the odds of Cornerstone *not* being bought out (at least of its Cascabel interest) between now and then by a major are between slim and none.

*** NOW, we're going to find out whether SOLG's announcement yesterday was a one-off, "Hail Mary" pass, or a start of a deliberate and sincere strategy / process.**

BHP is *now* spending a LOT more (and may do so further) for its exposure to Cascabel / SOLG shares since its low ball effort of over two years ago. Maybe they weren't going to get SolGold to bite at *any* price back then; if I were Mather and had the ability to raise enough money to make Cascabel much bigger before I needed a BHP, I'd not have been inclined to engage them either.

For SolGold now to get that 15% of Cascabel it doesn't already directly own from Cornerstone, though, the stakes are higher; and as said above, the clock is ticking. Maybe (I have NO way of knowing one way or the other) SOLG will come back to Cornerstone with--rather than a dictatorial approach--a "What will it take?" query.

If not, it won't be any skin off Cornerstone's nose.

Interestingly, it wasn't that many days ago that **J.P. Morgan became the latest--and most prominent--name among analysts to issue a research report on SolGold.** Its positive assessment of SOLG and Cascabel includes one valuing the NPV of Cascabel at US\$3.5 billion. Further, its target price for SOLG is more than double its current level.

By extension--and well beyond yesterday's effective C34 cents/share offer for Cornerstone--**SOLG would have to be in the neighborhood of C\$1.00 per share or a bit more *just* to reflect a fairer valuation for CGP's Cascabel interest at present.**

As you can read from CGP's answer yesterday, they have *not* closed off any chance of making a deal.

But it's my opinion that--without *at least* a MUCH higher offer for Cornerstone's share of Cascabel--SolGold will get nowhere.

And further, if I were Cornerstone management, I would also insist that CGP gets to keep all its other exploration assets; ones which SOLG gratuitously said in its announcement aren't worth worrying about anyway. So Cornerstone should get little argument here if any such negotiations ever do materialize.

Needless to say, I will be staying on top of all this, as always!

All the best,

Chris Temple -- Editor/Publisher
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