

Cornerstone Executing on Business Model, Exciting Drill Season Ahead

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TORONTO (ResourceInvestor.com) -- Back in late August of last year *RI profiled* Cornerstone Capital [TSXv:CGP], a prospect generator with an interesting suite of projects. The stock was then trading in the 40-cent range and the company had just inked a promising deal with Phelps Dodge [NYSE:PD].

At that time we noted that the stock could be in for an upward re-rating by the market, pointing out that, "Investing in a junior explorer is a risky business and one should look to decrease that risk level as much as possible without sacrificing the upside potential - Cornerstone appears to have done so. With a whole basket of projects and a slew of J/V partners earning in, CGP's C\$13 million dollar market capitalization seems rather a bargain given the huge upside that could result from success on just one of these plays."

CGP is now trading in the low 70-cent range and investors should be keeping a close eye on it with a busy drilling season just ahead. The company has completed a few more J/V's since we last covered it, and will only be spending \$800,000 of its own money this year, out of a total of \$5.5 million in planned expenditure.

CGP recently informed your correspondent that, "the current total of exploration expenditures and option payments for full earn over the multi year life of the agreements is approximately \$26,680,403." Those kind of numbers certainly make Cornerstone the envy of most other junior explorers but also speak to the quality of the company's assets and potential of its targets in Newfoundland, Labrador and Ecuador.

Although CGP now has a market capitalization of about C\$25 million, by way of comparison to similar companies with arguably less potential, this number still appears reasonable. Other prospect generators such as Altius, Almaden and Rimfire are being awarded market valuations ranging from C\$50 to C\$200 million. While a few of these names may be slightly more advanced than CGP at this point in time, it certainly seems to demonstrate how things may evolve for Cornerstone over the next few years.

Given the number of projects the company has on the go, it seems likely that it will just be a matter of time before one or more of them bear fruit. Investors would be well advised to review CGP's recent [press release](#) outlining the various drill programs lined up for 2006.

Last year's conclusion was that "Cornerstone could be in for a re-rating by the market once it's discovered, and should be the cornerstone of an investors risk portion of their portfolio's resource sector allocation. The risk to reward ratio is tantalising." The market has clearly taken some notice and now the bet has shifted from the easy money associated with recognition to whether or not the company will come up with the goods. Although mining exploration is a difficult game, this would still appear to be one of the best lottery tickets around.

Shares in CGP closed Friday at 73 cents on above average volume.