

BUSINESS

Cornerstone returns to former management foundation

BY CRAIG WESTCOTT

The Express

There's a new, old face at the head of Cornerstone Capital Resources and so far the market seems to like it.

Glen McKay, one of the company's founders seven years ago, returned to the presidency of the company Dec. 14, replacing former investment banker and mining analyst Jonathan Challis, who had been in the post for just over a year.

Cornerstone's vice-president of corporate development, Deborah Thiel, departed the company the same day. She was responsible for recruiting Challis to the job. It was part of a strategy Thiel developed for the company several years ago when she was invited by Cornerstone's board of directors to give the busy junior more polish.

"I guess we reached a point where we collectively felt the strategy wasn't in the best interest of Cornerstone, therefore we made a decision to go our individual ways," McKay explained last week.

"It was an amicable split, yes. Without going into the details, it was announced as a resignation and I'd just like to leave it at that. But as I said, we reached a point where the board felt that we had to chart a different course."

Prior to the management change, Cornerstone's shares set a new 52-week low of 19 cents in trading on the TSX Venture Exchange. That seemed to change when McKay moved back into the presidency and board chairman John Fleming announced he would be taking a more active role in the company as its new chief executive officer, a position that had been filled by McKay. Fleming is a former director of the province's Geological Survey and a long-time deputy minister in the Department of Mines and Energy.

"This past week we were really pleased to see one of the highest volume weeks we've ever had," McKay noted. "In five days we had something like 600,000 shares change hands and yesterday (Dec. 20) we closed the day at 27 cents. Now I never ever thought I'd say I'd be happy to see a 27 cent share price, but in the context of what's happened in the past month or so, I think the market has responded very positively to the changes we've made and I think the market sees that we do have a solid management team."

'A REAFFIRMATION'

McKay said the people in charge of Cornerstone now were there from the beginning, are among the largest shareholders and have the most interest in making the company work.

While Cornerstone enjoyed a number of successes in 2004, including obtaining two large land positions near the Voisey's Bay project that the company is working in partnership with Falconbridge, McKay said the market didn't respond to all of the good news.

"In the past week, we've had a reaffirmation of support," he said. "Chris Temple, who is a letter writer in the U.S., put us back on a buy list. And Lawrence Roulston, who is well-known in Canada as a letter writer, put out a little thing on us this past week that said this represents a buying opportunity... "And in the past week, I've had five calls from companies involved in financing the junior market who have offered me financing if I need it. Five calls right out of the blue, unsolicited. So to us this is a tremendous endorsement of the new course that we've charted."

The new course is really the one

Cornerstone has been pursuing all along — the joint venture model. That entails the company's geologists and prospectors finding good mineral properties and working them to the point where larger companies are interested in sharing the exploration costs.

That strategy has made Cornerstone the third largest ground holder in the province. McKay said the company puts great value in its exploration team, which has a proven track record when it comes to finding and advancing strong mineral plays.

"We have a solid geology team and I think that's been demonstrated by the quality of the projects that we've produced, things like the Labrador initiative that Paul Moore has to take a large part of the credit for," McKay said.

"And now, of course, we're trying to demonstrate to the market that the perception that I think has developed in the past period of time that Cornerstone does not have the right stuff to create long term potential, that we want to correct that investor misperception... The message that we want to get to the public at large and to our shareholders is that the fundamental strength of this company has not changed, in fact we feel it is enhanced."

McKay said while the company until now has been entirely focused on Newfoundland and Labrador, in

the New Year, it will look to acquire plays outside the province.

"We've had that mandate since last January actually and, in the past year, we've looked at a number of international opportunities and none of them have met the bar that we felt comfortable with," he said. "The board has given us very strict criteria in terms of looking at projects outside Newfoundland because of the additional risk and those criteria involve not only the right people and the right project, but they have to be able to be financed separately."

"So, in other words, the project would have to be able to gain the confidence of a major investment group before we would decide to embark on that course of acquiring a project outside of Newfoundland and Labrador. And we are actively continuing to look at opportunities like that and we're hoping that in the new year sometime we'll be able to do something of that nature."

'THE RIGHT STUFF'

Meanwhile, Cornerstone is hoping to see drilling this winter on two of its joint venture gold plays, Green Bay and Colchester. It is also looking at drilling its wholly-owned El Stato property, also a gold play.

McKay said the company is also well-positioned to take advantage of the growing interest in Central New-

foundland as a base metals target, now that Aur Resources has announced it will build a mine at Duck Pond and junior explorer Messina Minerals has pulled a hot hole at its Boomerang property.

Messina reported Dec. 8 that one drill hole contained values of 5.2 per cent lead, 20.1 per cent zinc and 138 grams per tonne of silver. Messina's shares soared from a trading price of 15 cents that day to a high of 97 cents just over a week later.

Cornerstone has 46 claims located about seven km southwest of Boomerang, and recently obtained 90 claims some 20 km west of the Duck Pond deposit. And that's only two of Cornerstone's properties in Central

Newfoundland.

"Cornerstone has the right stuff to be around for a long time to create opportunity and value for our shareholders," McKay said. "And we welcome calls from shareholders. In the past week, I've had many calls and we're happy to talk on a one-to-one basis to explain where we are and where we're going."

"I think that people will like what they're going to see from Cornerstone. Obviously some investors lost confidence and we saw that in the share price despite the very good news that we've had this past year. So now we're correcting the course and moving on."

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