Consolidated Financial Statements of
Cornerstone Capital Resources Inc.

For the years ended
December 31, 2017 and 2016

CORNERSTONE CAPITAL RESOURCES INC.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cornerstone Capital Resources Inc.:

We have audited the accompanying consolidated financial statements of Cornerstone Capital Resources Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of operations and comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cornerstone Capital Resources Inc. and its subsidiaries as at December 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 27, 2018

CORNERSTONE CAPITAL RESOURCES INC.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	As at December 31, 2017	As at December 31, 2016
	$	$
ASSETS		
CURRENT		
Cash and cash equivalents	**564,181**	2,627,882
Marketable securities (Note 8)	**2,141**	1,323
Receivables (Note 9)	**128,128**	121,783
Prepaid expenses	**192,568**	37,709
Assets held for spin-off (Note 2)	**1,033,177**	-
TOTAL CURRENT ASSETS	**1,920,195**	2,788,697
Long term investments (Note 7, 10)	**125,757,292**	82,000,000
Marketable securities (Note 7, 8)	**86,779,516**	-
Property and equipment (Note 11)	**286,797**	127,436
TOTAL NON-CURRENT ASSETS	**212,823,605**	82,127,436
TOTAL ASSETS	**214,743,800**	84,916,133
LIABILITIES		
CURRENT		
Trade payables and accrued liabilities	**437,234**	91,567
Liabilities held for spin-off (Note 2)	**18,078**	-
TOTAL CURRENT LIABILITIES	**455,312**	91,567
Deferred tax liability (Note 15)	**31,439,323**	18,040,000
TOTAL LIABILITIES	**31,894,635**	18,131,567
EQUITY		
Shareholders' equity (Note 14)	**182,849,165**	66,784,566
TOTAL LIABILITIES AND EQUITY	**214,743,800**	84,916,133

Plan of arrangement and discotinued operations (Note 2)
Basis of presentation (Note 3)
Contingencies (Note 19)
Commitments (Note 20)
Events after the reporting period (Note 21)

APPROVED BY THE BOARD OF DIRECTORS ON APRIL 27, 2018:

"Brooke Macdonald" Director "Colin McKenzie" Director

See accompanying notes to the consolidated financial statements

CORNERSTONE CAPITAL RESOURCES INC.

Consolidated Statements of Operations and Comprehensive Income (loss)

(Expressed in Canadian Dollars)

	Year ended December 31, 2017	Year ended December 31, 2016
	$	$
REVENUE AND OTHER INCOME		
Gain on disposal of property and equipment	**-**	28,987
Other income	**3,705**	-
Unrealized gain on value of marketable securities	**817**	498
Investment income	**390**	21,688
TOTAL REVENUE AND OTHER INCOME	**4,912**	51,173
EXPENSES		
Exploration and evaluation expenditures (Note 12)	**419,245**	351,957
General and administrative	**1,576,017**	775,376
Share-based payments (Note 14)	**2,820,312**	817,636
Consulting fees	**716,222**	284,187
Accounting, audit and legal	**1,152,455**	361,901
Bad debt recovery	**-**	(27,506)
Loss on sale of marketable securities	**-**	4,698
Depreciation (Note 11)	**52,241**	3,548
Interest and bank charges	**5,886**	12,676
Foreign exchange loss (gain)	**78,946**	(22,175)
TOTAL EXPENSES	**6,821,324**	2,562,298
NET LOSS FROM CONTINUING OPERATIONS	**(6,816,412)**	(2,511,125)
NET LOSS FROM DISCONTINUED OPERATIONS	**(1,019,163)**	(321,969)
NET LOSS FOR THE YEAR	**(7,835,575)**	(2,833,094)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be reclassified subsequently to income		
Unrealized gain on investment (Note 7)	**24,467,859**	81,957,143
Deferred income tax expense (Note 15)	**(13,399,323)**	(18,040,000)
TOTAL OTHER COMPREHENSIVE INCOME	**11,068,536**	63,917,143
NET COMPREHENSIVE INCOME	**3,232,961**	61,084,049
Loss per share		
Basic	**(0.02)**	(0.01)
Diluted	**(0.02)**	(0.01)
Weighted-average number of shares outstanding		
Basic	**430,982,277**	251,115,019
Diluted	**430,982,277**	251,115,019

See accompanying notes to the consolidated financial statements

CORNERSTONE CAPITAL RESOURCES INC.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Number of shares	Share capital	Warrants	Contributed Surplus	Accumulated other Comprehensive Income	Deficit	Total Shareholders' Equity
		$	$	$	$	$	$
Balance, December 31, 2015	190,415,330	37,108,653	1,911,322	8,713,255	-	(47,509,906)	223,324
Total comprehensive loss for the year	-	-	-	-	63,917,143	(2,833,094)	61,084,049
Shares issued in private placements	82,700,000	4,135,000	-	-	-	-	4,135,000
Shares issued in settlement of debt	7,300,000	365,000	-	-	-	-	365,000
Shares issued on exercise of stock options	226,666	39,298	-	(13,565)	-	-	25,733
Shares issued on exercise of warrants	1,969,000	236,039	(39,139)	-	-	-	196,900
Shares issued for property agreements	1,200,000	60,000	-	-	-	-	60,000
Warrants issued in private placements	-	(1,666,755)	1,666,755	-	-	-	-
Expired warrants	-	-	(566,900)	566,900	-	-	-
Share-based payments	-	-	-	802,959	-	-	802,959
Share issue cost - issued in units	3,280,000	99,000	-	-	-	-	99,000
Share issuance costs	-	(334,399)	127,000	-	-	-	(207,399)
Balance, December 31, 2016	287,090,996	40,041,836	3,099,038	10,069,549	63,917,143	(50,343,000)	66,784,566
Total comprehensive loss for the year	-	-	-	-	11,068,536	(7,835,575)	3,232,961
Shares issued on exercise of stock options	2,374,164	479,582	-	(197,894)	-	-	281,688
Shares issued on exercise of warrants	37,951,148	4,327,350	(689,568)	-	-	-	3,637,782
Shares issued for property agreements	324,324	120,000	-	-	-	-	120,000
Shares issued for acquisition of marketable securities	261,778,876	106,068,949	-	-	-	-	106,068,949
Share-based payments	-	-	-	2,820,312	-	-	2,820,312
Share issue costs	-	(97,093)	-	-	-	-	(97,093)
Balance, December 31, 2017	589,519,508	150,940,624	2,409,470	12,691,967	74,985,679	(58,178,575)	182,849,165

See accompanying notes to the consolidated financial statements

CORNERSTONE CAPITAL RESOURCES INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended December 31, 2017	Year ended December 31, 2016
	$	$
OPERATING ACTIVITIES		
Net loss from continuing operations for the year	**(6,816,412)**	(2,511,125)
Items not affecting cash:		
Depreciation	**52,241**	9,471
Interest and bank charges recognized in net loss	**5,886**	12,676
Interest income recognized in net loss	**(3)**	(209)
Unrealized loss on value of marketable securities	**(817)**	(498)
Loss on sale of marketable securities	**-**	4,698
Gain on disposal of property and equipment	**-**	(28,987)
Exploration expenditures paid in common shares	**120,000**	-
Share-based payments	**2,820,312**	817,636
Changes in non-cash operating working capital (Note 17)	**(184,463)**	(90,766)
Cashflows from operating activities — continuing operations	**(4,003,256)**	(1,787,104)
Cashflows from operating activities — discontinued operations	**(1,401,590)**	(321,969)
CASHFLOWS FROM OPERATING ACTIVITIES	**(5,404,846)**	(2,109,073)
INVESTING ACTIVITIES		
Interest income received	**3**	36
Proceeds on sale of investments	**-**	21,760
Purchase of property and equipment	**(229,999)**	(95,864)
Proceeds from disposal of property and equipment	**-**	40,761
Cashflows from investing activities — continuing operations	**(229,996)**	(33,307)
Cashflows from investing activities — discontinued operations	**-**	-
CASHFLOWS FROM INVESTING ACTIVITIES	**(229,996)**	(33,307)
FINANCING ACTIVITIES		
Interest and bank charges paid	**(5,886)**	(12,676)
Proceeds from exercise of stock options	**281,687**	25,733
Proceeds from loan	**-**	369,000
Repayment of loan	**-**	(49,000)
Proceeds from exercise of warrants	**3,637,782**	196,900
Proceeds from issuance of share capital and warrants - net	**-**	3,955,656
Share issue costs	**(97,093)**	109,619
Cashflows from financing activities — continuing operations	**3,816,490**	4,595,232
Cashflows from financing activities — discontinued operations	**-**	-
CASHFLOWS FROM FINANCING ACTIVITIES	**3,816,490**	4,595,232
(DECREASE) INCREASE IN CASH	**(1,818,352)**	2,452,853
CASH, BEGINNING OF THE YEAR	**2,627,882**	175,029
CASH, END OF THE YEAR	**809,530**	2,627,882
LESS CASH OF DISCONTINUED OPERATIONS AT END OF YEAR	**245,349**	-
CASH OF CONTINUING OPERATIONS, END OF THE YEAR	**564,181**	2,627,882

See accompanying notes to the consolidated financial statements

1. 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.

These consolidated financial statements ("financial statements") for the year ended December 31, 2017 and 2016 were authorized for issuance by the Board of Directors of the Company on April 27, 2018.

2. PLAN OF ARRANGEMENT AND DISCONTINUED OPERATIONS

As at December 31, 2017, the Company was 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 (Ontario Business). Pursuant to the Arrangement, Cornerstone Capital will transfer its wholly owned subsidiaries that directly hold the Grande, 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 include $3,100,000 in cash and cash equivalents to Cornerstone Exploration Inc. ("Cornerstone Exploration") in exchange for common shares of Cornerstone Exploration (the "Cornerstone Exploration Common Shares"). Cornerstone Exploration will commence trading on the Toronto Venture Stock Exchange under the symbol "CEX" upon completion of the Arrangement. Shareholders of Cornerstone Capital will receive common shares of Cornerstone Exploration by way of a share exchange, in proportion to their shareholdings in Cornerstone Capital.

Under the Arrangement, each existing share of Cornerstone Capital would be exchanged for 0.05 of a "new" share of Cornerstone Capital, which will be renamed "Cascabel Gold and Copper Inc.", and 0.005 Class B multiple voting shares and 0.005 Class A single voting shares of a Cornerstone Exploration. Option holders and warrant holders of Cornerstone Capital will receive replacement options and warrants of Cascabel Gold and Copper and options and warrants of Cornerstone Exploration which are proportionate to, and reflective of the terms of, their existing options and warrants of Cornerstone Capital. The exercise prices of the warrants and options will be determined in accordance with the Arrangement. The Arrangement was approved by the Supreme Court of Alberta and by Cornerstone Capital shareholders, as well as Cornerstone Capital option holders and warrant holders voting together as a single class. At the Special Meeting of Cornerstone Capital securityholders held on December 14, 2017, Cornerstone Capital shareholders also approved a Stock Option Plan for Cornerstone Exploration.

The assets and liabilities that will be transferred to Cornerstone Exploration were classified as discontinued operations and classified on the balance sheet as assets / liabilities held for spin-off ("Spin-off"). The discontinued operations include five entities to be transferred to Cornerstone Exploration pursuant to the Arrangement, Bellamaria Mining S.A., Vetasgrande Mining S.A., Canabrava Mining S.A., La Plata S.A., and Mineria Cornerstone Chile Limitada. The Spin-off distribution will be accounted for at the carrying amount, without gain or loss, and will result in a reduction of shareholders' equity.

Cornerstone Exploration is expected to enter into an Administrative Services Agreement with Cornerstone Capital, pursuant to which Cornerstone Capital will provide office space, furnishings and equipment, communications facilities and personnel necessary for Cornerstone Exploration to fulfill its basic day-to-day head office and executive responsibilities on a pro-rata cost-recovery basis.

(Expressed in Canadian Dollars)

2. PLAN OF ARRANGEMENT AND DISCONTINUED OPERATIONS (Continued)

The closing of the Arrangement will result in a spin-off of assets and liabilities being distributed to Cornerstone Exploration. As at December 31, 2017, the following is a summary of the assets and liabilities held for spin-off:

	December 31, 2017
	$
Current assets	
Cash	245,349
Receivables	769,431
Property and equipment	18,397
Total assets	1,033,177
Current liabilities	
Trade payables and accrued liabilities	18,078
Net assets	**1,015,099**

The net loss from the assets held for spin-off has been reclassified from net loss to discontinued operations as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
	$	$
REVENUE AND OTHER INCOME		
Project revenue	164,789	-
Other income	58,997	2,319
TOTAL REVENUE AND OTHER INCOME	223,786	2,319
EXPENSES		
Exploration and evaluation expenditures	939,931	262,581
General and administrative	258,890	36,344
Accounting, audit and legal	38,882	20,008
Depreciation	4,683	5,923
Foreign exchange loss (gain)	563	(568)
TOTAL EXPENSES	1,242,949	324,288
NET LOSS FROM DISCONTINUED OPERATIONS	**(1,019,163)**	**(321,969)**

(Expressed in Canadian Dollars)

3. BASIS OF CONSOLIDATION AND PRESENTATION

Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies applied in these financial statements are presented in note 4 and have been applied consistently to all years presented.

The preparation of the financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4(k).

Basis of Consolidation and Presentation

The financial statements reflect the financial position, results of operations and cash flows of the Company and its subsidiaries. Cornerstone Capital is the ultimate parent company of the consolidated group. Subsidiaries are consolidated from the date on which the Company obtains control and continue to be consolidated until control ceases. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

Where the ownership of a subsidiary is less than 100%, and a non-controlling interest thus exists, any losses of that subsidiary are attributed to the non-controlling interests even if that results in a deficit. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

An associate is an entity in which the Company or its subsidiaries have significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in, without having control over, the financial and operating policy decisions of the entity, and generally exists where between 20% and 50% of the voting power of the entity is held by the Company. As at December 31, 2017, and December 31, 2016, the Company did not have any associates. The Company's indirect 15% interest in ENSA (held by Cornerstone Ecuador S.A. ("CESA")) is being accounted for as an available-for-sale asset.

The subsidiaries of the Company at December 31, 2017, and their principal activities are described below:

Name of subsidiary	Acronym	Place of incorporation	Ownership interest	Principal activity
Cornerstone Exploration Inc.	CEI	Canada	100%	Holding Company
Bellamaria Mining S.A.	BMSA	Ecuador	100%	Exploration Company
Canabrava Mining S.A.	CMSA	Ecuador	100%	Exploration Company
La Plata Minerales S.A	La Plata	Ecuador	100%	Exploration Company
Exploaurum S.A.	EXSA	Ecuador	100%	Exploration Company
Cornerstone Ecuador S.A.	CESA	Ecuador	100%	Exploration Company
Vetasgrandes Mining S.A.	VMSA	Ecuador	100%	Exploration Company
Minera Cornerstone Chile Limitada	MCCL	Chile	100%	Exploration Company

The financial statements of the Company have been prepared in accordance with IFRS on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company does not have any proven economically recoverable reserves, has a history of losses, and at December 31, 2017, the Company had an accumulated deficit of $58,178,575 (December 31, 2016 - $50,343,000) and has recorded a net comprehensive income of $3,232,961 for the year

3. BASIS OF CONSOLIDATION AND PRESENTATION (Continued)

ended December 31, 2017 (December 31, 2016 – net comprehensive income of $61,084,049). The success of the Company is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to find and complete the development of such reserves, the ability of the Company to satisfy obligations as they come due and upon future profitable production from the properties or proceeds from disposition. The Company as at December 31, 2017, had cash balances of $564,181 (December 31, 2016 - $2,627,882) and current liabilities of $455,312 (December 31, 2016 - $91,567). The Company currently does not expect to require additional financing to continue to pursue its exploration activities, and to meet its general and administrative costs for at least the next 12 months from the reporting period.

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, government licensing requirements or regulations, unregistered claims and non-compliance with regulatory, environmental and social licensing requirements, and may be affected by undetected defects. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported net loss and the balance sheet classifications used.

Basis of measurement

These financial statements have been prepared on a historical cost basis, except for long-term investments and marketable securities classified as fair value through profit and loss, which are measured at fair value.

Functional currency and currency of presentation

The financial statements are presented in Canadian dollars which is also the functional currency of the Company and its subsidiaries.

4. SIGNIFICANT ACCOUNTING POLICIES

A) Cash and cash equivalents

Cash and cash equivalents consists of amounts on deposit with high credit quality financial institutions. Excess cash is kept in interest bearing deposit accounts and guaranteed investment certificates with these financial institutions. As at December 31, 2017 and 2016, the Company did not have any cash equivalents.

B) Exploration and evaluation expenditures

The Company expenses all expenditures related to its exploration and evaluation assets until such time as the properties are put into commercial production. Under this method, all amounts shown as exploration and evaluation expenditures represent costs incurred during the year less amounts reimbursed from exploration partners.

C) Property and equipment

Property and equipment are recorded at cost less accumulated amortization and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is calculated on a declining balance basis at rates which will reduce original cost to estimated residual value over the estimated useful lives of the assets. Property and equipment is reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognized.

The rates applicable to each category of property and equipment are as follows:

Class of property and equipment	Depreciation rate
Equipment	20%
Computers	45%
Vehicles	20%

An asset's residual value, useful life and amortization method are reviewed, and adjusted if appropriate, on an annual basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

D) Share-based payments

The Company uses the fair value method to measure compensation expense at the date of grant of stock options. The fair value of options is determined using the Black-Scholes option pricing model and is amortized to earnings over the vesting period with an offset to share-based payment reserve. When options are exercised, the corresponding share-based payment reserve and the proceeds received by the Company are credited to share capital. Forfeitures are estimated at the time of the grant and revised annually. Any changes in the forfeiture rate is recorded prospectively as a change in estimate.

E) Income taxes

Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income taxes

Deferred tax is recognized using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax assets and liabilities are recognized for all temporary differences except:

- Where the temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, that affects neither the accounting profit nor taxable profit (loss).

- In respect of temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venture and it is probable that the temporary differences will not be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax relating to items recognized in other comprehensive income or equity is recognized in other comprehensive income (loss) or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

F) Loss per share

Basic loss per share is computed by dividing the loss for the period by the weighted-average number of shares outstanding during the period. Diluted earnings per share is calculated giving effect to potential dilution that would occur if stock options, warrants or other dilutive instruments were exercised. The dilutive impact is determined by assuming that any proceeds upon exercise for which market price exceeds exercise price, would be used to purchase shares at the average market price for the period.

G) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange ruling at the reporting date. All differences are taken to the profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Exchange differences resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

H) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables;
- Financial assets at fair value through profit or loss;
- Available-for-sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income (loss) (all income and expenses relating to financial assets that are recognized in profit or loss are presented within interest income or interest expenses).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents and receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. The Company's current marketable securities fall into this category of financial instruments. Assets in this category are measured at fair value with gains or losses recognized in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's long term investments and long term marketable securities fall into this category of financial instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

All available-for-sale financial assets are measured at fair value. Unrealized gains and losses are recognized in other comprehensive income (loss), except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income (loss) is reclassified to profit or loss and presented as a reclassification adjustment within other comprehensive income (loss). Interest calculated using the effective interest method and dividends are recognized in profit or loss within interest income.

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of marketable securities designated as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is ‘significant’ or ‘prolonged’ requires judgement. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Trade payables and accrued liabilities are classified as “Other Financial Liabilities”. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

For the Company, the measured amount generally corresponds to cost, due to the short-term nature of financial liabilities.

Transaction costs are included in the initial carrying amount of financial instruments, except for FVTPL items which are expensed as incurred.

The Company has determined that it does not have derivatives or embedded derivatives.

I) Equity

Warrants includes charges related to the issuance of warrants until such equity instruments are exercised or expire. On expiry, warrant values are recorded to contributed surplus.

Contributed surplus includes charges related to stock-based compensation until such equity instruments are exercised. It also includes all expired options and warrants previously issued.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated deficit includes all current and prior period net income or losses.

J) Segmented reporting

The Company is organized into business units based on mineral properties and has one business segment, being the acquisition, exploration and evaluation of mineral properties. The Company considers its investment in ENSA to be part of this segment.

K) Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of the assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

In particular, the Company has identified the following areas where significant judgments, estimates, and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

<u>Significant management judgments</u>

The following are significant management judgments in applying the accounting policies of the Company and have the most significant effect on the financial statements.

- *Income, value added, withholding and other taxes*

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- *Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgments based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company's business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will ultimately result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties it acquires, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise additional financing, if necessary, or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs to the carrying values of the Company's assets. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

- *Contingencies*

By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgments and the use of estimates regarding the outcome of future events.

- *Functional currency*

The functional currency of the parent entity, and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The parent entity has determined the functional currency of each entity is the Canadian dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

- *Property and equipment*

The Company reviews the estimated useful lives of property and equipment at the end of each reporting period to ensure assumptions are still valid as well as for indicators of impairment and makes judgments about the recoverable amounts.

- *Receivables*

The Company reviews its receivables on a regular basis and makes estimates of any amounts which are not expected to be collected. If such doubt exists, an allowance for doubtful accounts will be recorded.

- *Share-based payments*

The Company makes certain estimates and assumptions when calculating the fair values of stock options and warrants granted. The significant assumptions used include estimates of expected volatility, expected life and

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

expected risk-free rate of return. Changes in these assumptions may result in a material change to the amount recorded for the issuance of stock options and warrants.

- *Fair value of investment in securities not quoted in an active market*

Where the fair values of financial assets and liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. Refer to notes 7 and 10 for further details.

5. FUTURE ACCOUNTING CHANGES

The following standards are effective for annual periods beginning after January 1, 2018, 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, 2018. The standard contains requirements in the following areas: classification and measurement, impairment, hedge accounting and de-recognition.

IFRS 15 - Revenue From Contracts With Customers ("IFRS 15") proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other standards. The Company will adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The Company has evaluated the impact of IFRS 15 and has determined that IFRS 15 will not have a significant impact on the Company other than additional required disclosures. The Company is continuing to evaluate the impact of disclosures to its future consolidated financial statements.

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.

6. CAPITAL MANAGEMENT

The capital structure of the Company consists of debt and equity comprised of share capital, warrants, reserves and deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral assets.

The properties in which the Company has or is earning an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. Subject to availability of funding, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geological or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis. The Company is not subject to externally imposed capital requirements.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2017 and December 31, 2016. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

7. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 – valuation techniques based on inputs that are quoted prices or similar instruments in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – valuation techniques with significant unobservable market inputs.

<u>Level 3 financial instruments</u>

The value of the Company's 15% interest in ENSA is classified as an available-for-sale asset. The Company has a long term investment in ENSA, which is a private company with no quoted price in active markets and has therefore been classified as a level 3 fair value measurement.

The following table presents the change in fair value measurements of financial instruments classified as Level 3 for the years ended December 31, 2017 as well as December 31, 2016. These financial instruments are measured at fair value utilizing non-observable market inputs. The net realized losses and net realized gains are recognized in the other comprehensive income / (loss).

(Expressed in Canadian Dollars)

7. FINANCIAL INSTRUMENTS (Continued)

Investments, fair value	Year ended December 31, 2017	Year ended December 31, 2016
Balance, beginning of year	$ 82,000,000	$ 42,857
Changes in valuation	43,757,292	81,957,143
Balance, end of year	**$ 125,757,292**	**$ 82,000,000**

Within Level 3, the Company includes private company investments which are not quoted in an active market. The key assumptions used in the valuation of these instruments include (but are not limited to) the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions and the share performance of comparable publicly-traded companies.

As the valuation of investments for which market quotations are not readily available are inherently uncertain, the values may fluctuate materially within short periods of time and are based on estimates, and determinations of fair value may differ materially from values that would have resulted if a ready market existed for the investments.

The valuation of ENSA was based on a modified market model using the trading price of the 85% owner of ENSA, SolGold Plc (“SolGold”). This was accomplished by taking the market capitalization of SolGold and subtracting out the estimated fair value of all other identifiable assets and liabilities, which resulted in the expected value of 85% of ENSA. This value was then used to determine the value of a 15% interest in ENSA subsequent to applying a marketability discount of 5%. The model is most sensitive to the value of the common shares of SolGold (which trade in an active market) and the amount of the marketability discount.

As at December 31, 2017, a 10% increase/decrease in the share price of SolGold would result in an increase/decrease in the fair value estimate of ENSA of approximately $14.3 million keeping all other variables constant.

As at December 31, 2017, 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 $6.6 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 December 31, 2017 and 2016.

(Expressed in Canadian Dollars)

7. FINANCIAL INSTRUMENTS (Continued)

Description	Period	Fair value ($)	Valuation technique	Significant unobservable input(s)	Range of significant unobservable input(s)
ENSA	**December 31, 2017**	125,757,292	Modified market approach	Marketability of shares	5%-10% discount
ENSA	**December 31, 2016**	82,000,000	Modified market approach	Marketability of shares	5%-10% discount

Management continues to believe that the modified market approach is the most appropriate approach in consideration of various factors including the volatility and trading volume of SolGold shares.

The Company has no liabilities recorded at fair value on December 31, 2017 and December 31, 2016. The carrying value of the Company's liabilities approximates its fair value due to the short term nature. The Company does not have any level 2 fair value measurements, and there have been no transfers between levels in 2017 and 2016.

As at December 31, 2017	**Level 1**	**Level 2**	**Level 3**	**assets at fair value**
Financial assets	**$**	**$**	**$**	**$**
Marketable securities (Note 8)	**86,779,516**	**-**	**-**	**86,779,516**
Long-term investment	**-**	**-**	**125,757,292**	**125,757,292**
	86,779,516	**-**	**125,757,292**	**212,536,808**

As at December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**assets at fair value**
Financial assets	**$**	**$**	**$**	**$**
Marketable securities (Note 8)	**1,323**	**-**	**-**	**1,323**
Long-term investment	**-**	**-**	**82,000,000**	**82,000,000**
	1,323	**-**	**82,000,000**	**82,001,323**

Financial Risk Factors

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Company's policies on an ongoing basis to ensure that these risks, which are summarized below, are appropriately managed:

(Expressed in Canadian Dollars)

7. FINANCIAL INSTRUMENTS (Continued)

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 as 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.

The Company's high grade receivables are with the Canadian government and other recognized, creditworthy third parties.

As at December 31, 2017	Neither past due nor impaired		Past due or	
	High grade	Standard grade	Individually impaired	Total
Cash and receivables:	$	$	$	$
Cash and cash equivalents	564,181	–	–	564,181
Other receivables[1]	55,851	–	–	55,851
	620,032	–	–	620,032

(1) Other receivables excludes sales tax receivable of $72,277.

As at December 31, 2016	Neither past due nor impaired		Past due or	
	High grade	Standard grade	Individually impaired	Total
Cash and receivables:	$	$	$	$
Cash and cash equivalents	2,627,882	–	–	2,627,882
Other receivables[1]	105,835	–	–	105,835
	2,733,717	–	–	2,733,717

(1) Other receivables excludes sales tax receivable of $15,948.

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 December 31, 2017, the Company had a cash balance of $564,181 (December 31, 2016 - $2,627,882) to settle current liabilities of $455,312 (December 31, 2016 - $91,567). 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.

7. FINANCIAL INSTRUMENTS (Continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and equity prices will affect the Company's income or the value of its financial instruments.

Interest rate risk – As at December 31, 2017, and December 31, 2016, 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.

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. Such price movements are monitored by the Company.

Foreign exchange 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.

	December 31, 2017 (USD) ($)	December 31, 2016 (USD) ($)
Cash	**95,078**	1,848,860
Receivables	**44,600**	79,600
Trade payables and accrued liabilities	**(70,892)**	(9,663)
Net US dollar exposure presented in CAD	**68,786**	1,918,797

Based upon the above net exposures to US dollars, as at December 31, 2017, 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 $6,878 (December 31, 2016 - $191,880).

Sensitivity analysis

As at December 31, 2017, the Company has an equity investment in Rambler Metals and Mining, which is listed on TSX Venture Exchange and the Alternative Investment Market ("AIM") on the London Stock Exchange, and SolGold Plc, which is listed on Toronto Stock Exchange and AIM.

(Expressed in Canadian Dollars)

7. FINANCIAL INSTRUMENTS (Continued)

A 20% change in value of these investments as at December 31, 2017 would result in an increase or decrease in net comprehensive income and the carrying value of the investments of $17,356,331

The carrying amount of cash, receivables, trade payables and accrued liabilities approximate fair value due to their short-term nature.

8. MARKETABLE SECURITIES

The Company has not purchased shares of publicly listed companies on the open market. The current marketable securities were acquired through prior years option agreements. The listed shares below trade on TSX Venture Exchange and Toronto Stock Exchange. Market values of the investments are as follows:

Current marketable securities

	December 31, 2017	December 31, 2016
	$	$
Rambler Metals and Mining	**2,141**	1,323
	2,141	1,323

There were no sales of marketable securities during the year ended December 31, 2017.

During the year ended December 31, 2016, the Company sold 125,000 common shares of Benton Resources for gross proceeds of $5,000 and recorded a gain on sale of marketable securities of $615 in profit or loss.

During the year ended December 31, 2016, the Company sold 488,560 common shares of SolGold Plc. for gross proceeds of $16,780 and recorded a loss on sale of marketable securities of $5,313 in profit or loss.

Non-current marketable securities

The following marketable securities were acquired by the Company as a long-term strategic investment and have been classified as non-current marketable securities:

	December 31, 2017	December 31, 2016
	$	$
SolGold Plc	**86,779,516**	-
	86,779,516	-

On June 27, 2017, the Company acquired 78,212,500 ordinary shares of SolGold plc from multiple non-arms length parties, in exchange for 120,821,675 common shares of Cornerstone. The acquisition of the SolGold shares was initially recorded at $48,787,316, which was the fair market value of the SolGold shares at the date of acquisition.

(Expressed in Canadian Dollars)

8. MARKETABLE SECURITIES (Continued)

On July 4, 2017, the Company acquired an additional 91,943,914 ordinary shares of SolGold plc from multiple parties in exchange for 140,957,200 common shares of Cornerstone. The acquisition of the SolGold shares was initially recorded at $57,281,633, which was the fair market value of the SolGold shares at the date of acquisition.

9. RECEIVABLES

	December 31, 2017	December 31, 2016
	$	$
Sales tax receivable	**72,277**	15,948
Other	**55,851**	105,835
	128, 128	121,783

During the year ended December 31, 2017, the Company incurred exploration expenditures on its Bramaderos property which were charged back to its exploration partner Sunstone Metals Ltd (note 12). As at December 31, 2017, the Company, through its assets held for spin-off, has a receivable of $769,711 (2016 - $Nil) relating to its exploration partner.

During the year ended December 31, 2016, the Company collected the $28,874 of accounts receivable from its exploration partner on the Cascabel property which were provided for during the previous year and recorded a recovery of bad debt of $27,506 and a foreign exchange loss of $1,368 in the consolidated statements of profit or loss. There were no bad debt expenses or recoveries during the year ended December 31, 2017.

10. LONG TERM INVESTMENTS

As at December 31, 2017, SolGold is the registered shareholder of an 85% interest in ENSA. 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 will own the remaining 15% of ENSA. SolGold Plc is funding 100% of the exploration at the Cascabel property, which is held by ENSA, up to completion and delivery of a feasibility study, and is the operator of the project.

Upon completion and delivery of a feasibility study, Cornerstone and SolGold shall jointly fund the activities of ENSA based on their proportionate interest. To the extent that either Cornerstone or SolGold fail to fund their proportionate interest, that party will have its ownership in ENSA diluted.

As a result of SolGold funding 100% of the activities in ENSA up to completion and delivery of a feasibility study, SolGold shall receive 90% of any distribution of earnings or dividends from ENSA or the Cascabel property that would otherwise be due to Cornerstone until such time as the amount received by SolGold through such payments equals Cornerstone's proportionate share of the expenditures incurred by SolGold from the date it earned its 85% interest until the time of completion and delivery of the feasibility study plus annual interest of LIBOR +2%.

As at December 31, 2017, the estimated value of the long-term investment in ENSA was $125,757,292 (December 31, 2016 - $82,000,000). Refer to note 7 for details on the valuation of the investment in ENSA. As at December 31, 2017, the estimated deferred income tax liability related to the long-term investment in ENSA was $31,439,323 (December 31, 2016 - $18,040,000).

(Expressed in Canadian Dollars)

11. PROPERTY AND EQUIPMENT

	Equipment	Computers	Vehicles	Total
	$	$	$	$
Cost:				
At December 31, 2016	46,083	112,061	152,130	310,274
Additions	31,860	6,277	191,862	229,999
Held for spin-off (note 2)	(36,110)	(4,440)	(4,040)	(44,590)
At December 31, 2017	41,833	113,898	339,952	495,683
Depreciation:				
At December 31, 2016	23,588	109,648	49,602	182,838
Additions	9,014	3,204	40,023	52,241
Held for spin-off (note 2)	(19,213)	(4,292)	(2,688)	(26,193)
At December 31, 2017	13,389	108,560	86,937	208,886
Net book value				
At December 31, 2017	**28,444**	**5,338**	**253,015**	**286,797**

	Equipment	Computers	Vehicles	Total
	$	$	$	$
Cost:				
At December 31, 2015	70,741	112,061	89,859	272,661
Additions	-	-	95,864	95,864
Disposals	(24,658)	-	(33,593)	(58,251)
At December 31, 2016	46,083	112,061	152,130	310,274
Depreciation:				
At December 31, 2015	37,822	107,467	76,168	221,457
Additions	5,617	2,181	1,673	9,471
Disposals	(19,851)	-	(28,239)	(48,090)
At December 31, 2016	23,588	109,648	49,602	182,838
Net book value				
At December 31, 2016	**22,495**	**2,413**	**102,528**	**127,436**

(Expressed in Canadian Dollars)

11. PROPERTY AND EQUIPMENT (Continued)

During the year ended December 31, 2017, there were no sales or disposals of property and equipment. During the year ended December 31, 2016, the Company sold various office equipment, computers and vehicles for gross proceeds of $40,760. As a result of the sale of equipment the Company realized a gain of $28,987 in profit or loss.

12. EXPLORATION AND EVALUATION EXPENDITURES

As at December 31, 2017, the Company holds several mineral concessions in Ecuador (excluding the concessions held by ENSA). A summary of exploration and evaluation expenditures is as follows:

	Year ended	
Geographical Area	**December 31, 2017 Exploration and Evaluation expenditures**	December 31, 2016 Exploration and Evaluation expenditures
	$	$
Chile	**-**	-
Ecuador	**419,245**	351,957
	419,245	351,957

Exploration expenditures incurred in Ecuador for the year ended December 31, 2017, have been reduced by $884,602 (2016 – $Nil), which was charged to the Company's exploration partner.

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:

	Year ended	
Geographical Area	**December 31, 2017 Exploration and Evaluation expenditures**	December 31, 2016 Exploration and Evaluation expenditures
	$	$
Chile	**277,353**	224,632
Ecuador	**662,578**	37,949
	939,931	262,581

On April 4, 2017, the Company entered into an option agreement with Sunstone Metals Ltd. (formerly "Avalon Minerals Ltd.") ("Sunstone") to acquire up to a 51% undivided interest in the Company's wholly-owned Bramaderos property. To acquire the 51% interest Sunstone is required to 1) make a US $50,000 payment (received) to the Company upon signing the option agreement, 2) Incur US $1,500,000 of exploration expenditures on the property by April 4, 2018, 3) Incur an additional US 1,900,000 of exploration expenditures on the property by April 4, 2020. The Bramaderos property is included in the assets to be spin out on completion of the Arrangement (Note 2).

As at December 31, 2017, Sunstone has incurred $983,470 (US$778,560) of exploration expenditures on the Bramaderos property. As at December 31, 2017, Sunstone has not yet acquired its initial interest in the Bramaderos property.

(Expressed in Canadian Dollars)

13. LOANS PAYABLE

On December 15, 2015, the Company entered into a short-term bridge loan agreement with a private company. Under the terms of the loan agreement, the Company was able to draw down a maximum of $100,000. The loan carries an annual interest rate of LIBOR plus 3% compounded monthly and initially matured on March 15, 2016.

On March 31, 2016, the maturity date was extended to June 15, 2016, and the maximum drawdown was increased to $500,000. During the year ended December 31, 2016, the Company drew down $364,000 and accrued interest and finance charges of $7,828. In May 2016, the Company made payments of principal and interest of $421,828. As at December 31, 2016, the outstanding balance of the loan including accrued interest was $Nil.

On March 14, 2016, the Company borrowed $5,000 from one of its directors. The loan carries an annual interest rate of LIBOR plus 3% compounded monthly and had no set maturity date. As at December 31, 2016, the outstanding balance on the loan including accrued interest was $Nil. The loan had accrued interest of $72.

Both of the above loans and accrued interest were repaid following the closing of the Company's financing on May 12, 2016.

The Company did not enter into any loan agreements during the year ended December 31, 2017.

14. SHAREHOLDERS' EQUITY

A) Share Capital

Authorized

An unlimited number of common shares with no par value.

Issued and outstanding

	December 31, 2017		December 31, 2016	
	Number of Shares	**$**	Number of Shares	$
Common shares	**589,519,508**	**150,940,624**	287,090,996	40,041,836

2017 issuances

During the year ended December 31, 2017, 37,951,148 warrants were exercised for gross proceeds of $3,637,782. The warrants had an average exercise price of $0.10 and would have expired between April 2019 and May 2021. As a result of the exercise of the warrants a total of $689,568 was transferred from warrants to share capital.

During the year ended December 31, 2017, 2,374,164 options with an average exercise price of $0.119 and expiry dates between January 13, 2017 and November 15, 2021, were exercised for gross proceeds of $281,688. As a result of the exercise of the stock options a total of $197,894 was transferred from contributed surplus to share capital.

14. SHAREHOLDERS' EQUITY (Continued)

On April 27, 2017, the Company issued 324,324 common shares, with a value of $120,000, and made a cash payment of $120,000 in regards to the Miocene gold-silver-copper project in Chile.

On June 27, 2017, the Company acquired 78,212,500 ordinary shares of SolGold plc from multiple non-arms length parties, in exchange for 120,821,675 common shares of Cornerstone. The acquisition of the SolGold shares was initially recorded at $48,787,316, which was the fair market value of the SolGold shares at the date of acquisition.

On July 4, 2017, the Company acquired an additional 91,943,914 ordinary shares of SolGold plc from multiple parties in exchange for 140,957,200 common shares of Cornerstone. The acquisition of the SolGold shares was initially recorded at $57,281,633, which was the fair market value of the SolGold shares at the date of acquisition.

<u>2016 issuances</u>
On May 12, 2016, the Company completed a financing consisting of the issuance of 90,000,000 units at $0.05 per unit for proceeds of $4,500,000. Each unit consisted of one common share of the Company and one non-transferable share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.10 until May 12, 2021.

The 90,000,000 warrants issued in connection with the private placements listed above have been recorded at a value of $1,789,000 based on the proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of $0.05, an exercise price of $0.10, risk free interest rate of 0.79%, expected life of warrants of 5 years, expected volatility rate of 102% (based on the Company's historical volatility for 5 years up to the issuance date) and an expected dividend rate of 0%.

The Company paid cash finders' fees of $58,742 and issued 3,280,000 units as well as 4,454,842 finders' warrants. Each finders' warrant entitling the holder to purchase one common share of the Company at a price of $0.05 until May 12, 2018.

The finders' warrants have been recorded at a value of $62,000 based on the Black Scholes option pricing model using the following assumptions: share price of $0.05, an exercise price of $0.05, risk free interest rate of 0.63%, expected life of warrants of 2 years, expected volatility rate of 115% (based on the Company's historical volatility for 2 years up to the issuance date) and an expected dividend rate of 0%.

The finders' units have been recorded at a value of $164,000 based on the Black Scholes option pricing model using the following assumptions: share price of $0.05, an exercise price of $0.10, risk free interest rate of 0.79%, expected life of warrants of 5 years, expected volatility rate of 102% (based on the Company's historical volatility for 5 years up to the issuance date) and an expected dividend rate of 0%. $65,000 has been allocated to the warrants included in the finders' units.

On May 12, 2016, the Company issued 1,200,000 common shares, with a value of $60,000, and made a cash payment of $60,000 in regards to the Miocene gold-silver-copper project in Chile.

During the year ended December 31, 2016, 1,969,000 warrants were exercised for gross proceeds of $196,900. The warrants had an exercise price of $0.10 and would have expired on May 12, 2021. As a result of the exercise of the warrants a total of $39,139 was transferred from warrants to share capital.

During the year ended December 31, 2016, 226,666 options with an exercise price of $0.11 and expiry dates between January 13, 2017 and June 14, 2021, were exercised for gross proceeds of $25,733. As a result of the exercise of the stock options a total of $13,565 was transferred from contributed surplus to share capital.

14. SHAREHOLDERS' EQUITY (Continued)

Preferred shares

The first and second preferred shares which have been authorized may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. No first or second preferred shares have been issued.

B) Stock options

The Company has an equity settled stock option plan under which options to purchase common shares in the Company may be granted to directors, officers, key employees and consultants of the Company.

2017 Stock option grants
On January 1, 2017, the Company issued 450,000 stock options to directors, officers and consultants of the company which are exercisable at $0.16 until June 23, 2018. The stock options vest in three tranches with 150,000 options vesting on grant, 150,000 vesting nine months after grant and 150,000 vesting eighteen months after grant. The stock options have a Black-Scholes option pricing value of $42,021. Only options vested during the year have been realized and recorded as an expense in the profit or loss.

On July 12, 2017, the Company issued 7,500,000 stock options to directors, officers and consultants of the company which are exercisable at $0.475 until July 12, 2022. The stock options vest in three tranches with 2,500,000 options vesting on grant, 2,500,000 vesting nine months after grant and 2,500,000 vesting eighteen months after grant. The stock options have a Black-Scholes option pricing value of $2,988,000. Only options vested during the year have been realized and recorded as an expense in the profit or loss.

During the year ended December 31, 2017, the Company realized and recorded as an expense in the profit or loss of $2,820,312 (2016 - $817,636) relating to stock options which vested in the current year.

2016 Stock option grants
On June 14, 2016, the Company issued 3,200,000 stock options to directors, officers and consultants of the company which are exercisable at $0.05 until June 14, 2021. The stock options vest in three tranches with 1,066,666 options vesting on grant, 1,066,666 vesting nine months after grant and 1,066,667 vesting eighteen months after grant. The stock options have a Black-Scholes option pricing value of $113,500. Only options vested during the year have been realized and recorded as an expense in the profit or loss.

On August 9, 2016, the Company issued 2,875,000 stock options to directors, officers and consultants of the company and are exercisable at $0.05 until August 8, 2021. The stock options vest in three tranches with 958,333 options vesting on grant, 958,333 vesting nine months after grant and 958,334 vesting eighteen months after grant. The stock options have a Black-Scholes option pricing value of $218,000. Only options vested during the year have been realized in the profit or loss.

On November 15, 2016, the Company issued 9,400,000 stock options to directors, officers and consultants of the company. These options were approved by the Company's shareholders at the annual shareholders meeting held on June 16, 2017. These options are exercisable at $0.15 until November 15, 2021, and vest in three tranches with 3,133,333 options vesting on grant, 3,133,333 vesting nine months after grant and 3,133,334 vesting eighteen months after grant. These stock options have a Black-Scholes option pricing value of $1,401,283. Only options vested during the year have been realized in the profit or loss.

(Expressed in Canadian Dollars)

14. SHAREHOLDERS' EQUITY (Continued)

The fair values of options granted during the year ended December 31, 2017 and 2016, were estimated using the Black-Scholes option pricing model with the following weighted average assumption:

	January 2017	July 2017
Average share price at date of grant	$0.16	$0.475
Expected dividend yield	0.00%	0.00%
Expected share price volatility	132%	123%
Risk-free interest rate	0.76%	1.58%
Forfeiture rate	0%	0%
Expected life of options	1.5 years	5 years
Average exercise price at date of grant	$0.16	$0.475
Stock options granted	450,000	7,500,000
Black-Scholes fair value	$0.09338	$0.3984

	November 2016	August 2016	June 2016
Share price at date of grant	$0.16	$0.10	$0.05
Expected dividend yield	0.00%	0.00%	0.00%
Expected share price volatility	161%	106%	94%
Risk-free interest rate	0.73%	0.66%	0.62%
Expected Forfeiture rate	0%	0%	0%
Expected life of options	5 years	5 years	5 years
Exercise price at date of grant	$0.15	$0.11	$0.05
Stock options granted	9,400,000	2,875,000	3,200,000
Black-Scholes fair value	$0.149	$0.0758	$0.035

Details of the activity of the stock option plan are as follows:

	For the year ended December 31, 2017		For the year ended December 31, 2016	
	Number	**Weighted-Average Exercise Price**	Number	Weighted -Average Exercise Price
		$		$
Balance, beginning of the year	**24,041,664**	**0.13**	11,463,330	0.22
Granted during the year				
To employees, officers, directors and consultants	**7,950,000**	**0.46**	15,475,000	0.08
Exercised during the year	**(2,374,164)**	**0.119**	(226,666)	0.11
Expired	**(683,331)**	**0.14**	-	-
Forfeited or cancelled during the year	**(568,167)**	**0.14**	(2,670,000)	0.37
Balance, end of year	**28,366,002**	**0.22**	24,041,664	0.13
Exercisable, end of year	**19,503,502**	**0.17**	11,310,413	0.13

(Expressed in Canadian Dollars)

14. SHAREHOLDERS' EQUITY (Continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2017.

Expiry date	Grant date	Exercise price	Options outstanding	Contractual Life (years)	Options vested	Options unvested	Years remaining to maturity
08-May-18	08-May-13	$0.10	610,000	5	610,000	-	0.35
11-Jun-18	11-Jun-13	$0.10	125,000	5	125,000	-	0.44
05-Mar-19	05-Mar-14	$0.19	3,400,000	5	3,400,000	-	1.18
29-Jan-20	29-Jan-15	$0.10	1,843,500	5	1,843,500	-	2.08
04-Jun-20	04-Jun-15	$0.10	50,000	5	50,000	-	2.43
14-Jun-21	14-Jun-16	$0.05	2,700,001	5	2,800,001	-	3.45
08-Aug-21	09-Aug-16	$0.11	2,850,000	5	1,916,667	933,333	3.61
15-Nov-21	15-Nov-16	$0.15	8,900,001	5	6,000,001	2,900,000	3.88
23-Jun-18	23-Dec-16	$0.16	387,500	1.5	258,333	129,167	0.48
12-Jul-22	12-Jul-17	$0.475	7,500,000	5	2,500,000	5,000,000	4.53
			28,366,002		**19,503,502**	**8,962,500**	

C) Warrants

Warrants have been issued by the Company in the course of issuing shares. Warrants are valued using the Black Scholes option-pricing model.

	For the year ended December 31, 2017		
	Number	**Fair Value $**	**Weighted-Average Price $**
Balance, beginning of the year	**124,240,959**	**3,099,038**	**0.15**
Exercised	**(37,951,148)**	**(689,568)**	**(0.09)**
Balance, end of the year	**86,289,811**	**2,409,470**	**0.17**

	For the year ended December 31, 2016		
	Number	**Fair Value $**	**Weighted-Average Price $**
Balance, beginning of the year	**42,647,617**	**1,911,322**	**0.33**
Issued as part of the private placement	**90,000,000**	**1,666,755**	**0.06**
Issued as finders warrants	**4,454,842**	**62,000**	**0.05**
Issued as part of finders units	**3,280,000**	**65,000**	**0.10**
Exercised	**(1,969,000)**	**(39,139)**	**(0.10)**
Expired	**(14,172,500)**	**(566,900)**	**(0.30)**
Balance, end of the year	**124,240,959**	**3,099,038**	**0.15**

(Expressed in Canadian Dollars)

14. SHAREHOLDERS' EQUITY (Continued)

Number of warrants	Carrying Value	Exercise price	Expiry date
	$	$	
26,600,000	1,221,405	0.35	April 2019
1,808,450	119,956	0.20	April 2019
1,174,842	20,606	0.05	May 12, 2018
56,706,519	1,047,503	0.10	May 12, 2021
86,289,811	**2,409,470**		

D) Loss per share

During the year ended December 31, 2017, 86,289,811 warrants (2016 – 124,240,959) and 28,366,002 options (2016 – 24,041,664) were excluded from the computation of diluted loss per share as they were anti-dilutive.

15. INCOME TAXES

(a) Deferred income taxes

Recognized deferred tax assets and liabilities:

	2017	2016
Recognized deferred income tax asset and (liabilities):	**$**	**$**
Investment	**(31,439,323)**	**(18,040,000)**
	(31,439,323)	**(18,040,000)**

Tax-effected deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributable to the following:

	December 31, 2017	December 31, 2016
	$	**$**
Unrecognized deferred income tax asset:		
Tax loss carryforwards	**15,970,000**	**14,970,000**
Financing costs and other	**330,000**	**280,000**
Exploration and evaluation assets	**2,782,000**	**2,782,000**
	19,082,000	**18,032,000**

The realization of benefits related to these future potential tax deductions is uncertain and cannot be viewed as probable. Accordingly, no net deferred income tax asset has been recognized for accounting purposes.

To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

(Expressed in Canadian Dollars)

15. INCOME TAXES (Continued)

(b) Income tax rate

The Company's effective tax rate differs from the statutory rate of 26.5% (2016 – 26.5%) for income tax through other comprehensive income as follows:

	2017	2016
	$	$
Income tax at statutory rate	**6,484,000**	**21,730,000**
Tax assets not recognized	**6,915,323**	**(3,690,000)**
	13,399,323	**18,040,000**

The Company's effective tax rate differs from the statutory rate of 26.5% (2016 – 26.5%) for income tax expense as follows:

	2017	2016
	$	$
Income tax recovery at statutory rate	**(2,076,000)**	(751,000)
Stock-based compensation not deductible for tax purposes	**747,000**	217,000
Non-recognition of deferred tax assets due to unused tax losses and deductible temporary differences, expiration of losses and change in tax rates	**1,329,000**	534,000
Effective tax rate	**-**	-

(c) Canadian non-capital losses and other Canadian deductible temporary differences

The Company has available net capital losses of approximately $728,000 which do not expire and are available to reduce future capital gains.

The Company also has available an unclaimed investment tax credit carry forward of approximately $397,000 in relation to pre-production exploration expenditures.

The Company also has available unclaimed Canadian exploration expenses and Canadian development expenses of approximately $5,176,000 and $1,105,000 respectively, which may be deducted in determining taxable income of future years.

The Company has not recognized the potential income tax benefits related to the losses, Canadian exploration expenses, Canadian development expenses, foreign exploration and development expenses, and other deductible temporary differences.

The Company also has available exploration and development expenses incurred in foreign jurisdictions which can be deducted from taxable income of future years in those jurisdictions.

(Expressed in Canadian Dollars)

15. INCOME TAXES (Continued)

The Company has Canadian non-capital losses approximately amounting to $15,433,000 which are available to reduce future taxable income. These non-capital losses expire as follows:

	$
2027	**1,847,000**
2028	**1,694,000**
2029	**1,307,000**
2030	**1,181,000**
2031	**1,757,000**
2032	**1,328,000**
2033	**947,000**
2034	**1,036,000**
2035	**1,285,000**
2036	**1,085,000**
2037	**1,966,000**
	15,433,000

16. RELATED PARTY TRANSACTIONS

The following represents a summary of transactions with parties under common control and shareholders for the years ended December 31, 2017 and 2016. 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 year ended December 31, 2017, Mr. Macdonald billed a total of $409,732 (USD $ 327,499) ($194,420 –2016) (USD $142,573). Included in the fees billed was a performance bonus of $134,110 (USD $100,000) ($Nil - 2016) in recognition of the performance in the Company's share price. The Company may terminate the contract without cause by paying the President and CEO 24 months' salary 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 year ended December 31, 2017, Mr. Di Paola billed a total of $153,100 ($73,500 –2016) for accounting and management consulting services. Included in the fees billed was a performance bonus of $22,500 ($Nil - 2016) in recognition of the performance in the Company's share price. The Company may terminate the contract without cause by paying the CFO a lump sum equal to $75,000.

During the year ended December 31, 2017, non-management directors of the Company were paid/accrued stipends of $119,000 ($21,000 - 2016).

Compensation for the year ended December 31, 2017, for key management personnel, not included above, is $3,307,349 ($425,047 –2016) which includes salary and other short-term benefits of $360,996 ($203,513 – 2016) and share-based payments of $2,676,353 ($741,723 – 2016). 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. Included in the Company's Vice President, Exploration's fees billed was a performance bonus of $67,055 ($Nil - 2016) in recognition of the performance in the Company's share price.

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(Expressed in Canadian Dollars)

17. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended December 31, 2017	2016
	$	$
Changes in non-cash operating working capital		
(Increase) decrease in receivables	**(6,345)**	26,757
(Increase) in prepaid expenses	**(154,859)**	(9,461)
Increase (decrease) in trade payables and accrued liabilities	**345,667**	(108,062)
	(184,463)	(90,766)

During the year ended December 31, 2017, the Company incurred $120,000 (2016 - $60,000) of non-cash exploration expenditures in common shares issued for property under the Miocene option agreement (Note 20).

During the year ended December 31, 2017, the Company made interest payments of $Nil (2016 - $7,900).

During the year ended December 31, 2017, the value of the share-based payments and warrants exercised were $197,894 (2016 - $13,565) and $689,568 (2016 - $39,139) respectively.

During the year ended, December 31, 2016, the company settled loan of $365,000 through the issuance of 7,300,000 common shares of the company. There were no similar transactions in 2017.

18. SEGMENT REPORTING

The Company has one reportable operating segment being that of acquisition, exploration and evaluation activities. The Company has the following non-current assets located in Canada, Ecuador and Chile:

	December 31, 2017	December 31, 2016
	$	$
Ecuador		
Property, plant and equipment	**286,797**	104,355
Long-term investment	**125,757,292**	82,000,000
Canada		
Marketable securities	**86,779,516**	-
Chile		
Property, plant and equipment	**-**	23,081
	212,823,605	82,127,436

All Chile and Ecuador exploration mineral claims are held by the Company's Chile and Ecuador subsidiaries with all costs incurred in the subsidiaries expensed to exploration and evaluation expenditures on the statement of operations. The Company's long-term investment is in an entity with mineral property interests in Ecuador.

The Company has $18,397 (2016 - $Nil) of property and equipment in Chile that has been reclassified as non-current assets held for spin-off (Note 2).

(Expressed in Canadian Dollars)

19. 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.

20. COMMITMENTS

(a) Miocene

On February 22, 2011, the Company signed an agreement to explore the Miocene gold-silver-copper project located in the Regions of Atacama and Antofagasta of northern Chile. The Company had entered into an agreement to acquire exclusive rights to a proprietary database covering the Miocene project area, and had already utilized the information to apply for mineral concessions to explore several prospective areas. The agreement gave the Company the right to acquire an undivided 100% interest in any concessions acquired using the database within the Miocene project by incurring exploration expenditures of $5,000,000 and making cash payments of $250,000 and issuing shares of the Company valued at $250,000 over a five-year period ending in 2019. The acquisition is subject to a 2.0% royalty, one-half (1.0%) of which can be purchased by the Company at any time for $1,000,000.

On July 3, 2014, the Company announced that it had amended the Miocene Property Agreement, to reduce the $5 million in required exploration expenditures to $2.5 million. Under the amended Agreement dated June 27, 2014, Cornerstone now has the right to acquire an undivided 100% interest in any concessions acquired using a proprietary database within the Miocene Project area in return for option payments totaling $250,000 and $250,000 in common shares of Cornerstone by April 28, 2017 both in annual increments, and $2,500,000 in exploration expenditures in annual increments by April 28, 2019.

On or before	Cash	Securities	Exploration or Other Work Commitments
April 28, 2012 (Paid)	$20,000	Common Shares valued at $20,000	Nil
April 28, 2013	Nil (deferred)	Nil (deferred)	Nil
April 28, 2014 (Paid)	$20,000	Common Shares valued at $20,000	Nil
April 28, 2015 (Paid)	$30,000	Common Shares valued at $30,000	$250,000
April 28, 2016 (Paid)	$60,000	Common Shares valued at $60,000	$250,000
April 28, 2017 (Paid)	$120,000	Common Shares valued at $120,000	$500,000

20. COMMITMENTS (Continued)

In April 2017, the Company issued 324,324 common shares and made a cash payment of $120,000.

On April 28, 2017, the Company amended the terms of the option agreement to remove the work commitments that were previously required in 2018 and 2019.

Effective April 28, 2017, the Company completed all of its obligations under the Miocene Property Agreement.

(b) See note 16 for the commitments under agreements with the management.

21. EVENTS AFTER THE REPORTING PERIOD

On March 2, 2018, the Company completed a financing consisting of the issuance of 41,000,000 common shares at $0.20 per share for proceeds of $8,200,000. A total of $252,000 in finder's fees were paid by Cornerstone in connection with the private placement.

Subsequent to December 31, 2017, 100,000 stock options were exercised for gross proceeds of $10,000.