



**Management's Discussion & Analysis of  
Financial Conditions & Results of Operations  
For the Three Months Ended March 31, 2015**

## **CORNERSTONE CAPITAL RESOURCES INC.**

### **Consolidated Results For the Three Months Ended March 31, 2015**

#### ***Management's Discussion & Analysis of Financial Conditions & Results of Operations***

*The following discussion and analysis, dated May 26, 2015, should be read in conjunction with the Consolidated Financial Statements and related notes. All dollar amounts are stated in Canadian dollars, unless otherwise noted.*

*This discussion includes certain statements that may be deemed forward-looking statements. All statements in this discussion, other than statements of historical facts, that address exploration drilling, exploration activities and events or developments that Cornerstone Capital Resources Inc. (the "Company" or "Cornerstone") expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and investors are cautioned that actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include market prices, exploration, continued availability of capital and financing and general economic, market or business conditions.*

#### **Description of Business**

Cornerstone Capital Resources Inc. ("Cornerstone" or the "Company"), is incorporated under the laws of Alberta, Canada and has its principal office in Mount Pearl, Newfoundland and Labrador, Canada. The Company, through its wholly-owned subsidiaries, Cornerstone Resources Inc., Cornerstone Ecuador S.A., La Plata Minerales S.A., and Minera Cornerstone Chile Limitada, and its 15% shareholding in Exploraciones Novomining S.A. ("ENSA"), is a prospect generator engaged in the evaluation, acquisition and exploration of mineral properties in Ecuador and Chile, of which much of the exploration activities of the Company are carried on with partners. The Company plans to ultimately develop the properties, bring them into production, option or lease properties to third parties, or sell the properties outright.

#### **Results of Operations**

##### ***The three months ended March 31, 2015, compared with the three months ended March 31, 2014.***

At January 1, 2015, exploration properties held by the Company totalled 229 claims. During the three months ended March 31, 2015, a number of property claims were dropped, leaving the Company with a total of 80 claims in Canada, 44 in Chile and 3 concessions in Ecuador (excluding the 4 concessions held by ENSA) at March 31, 2015.

During the three months ended March 31, 2015, the Company had a net loss of \$817,180 - \$0.004 per share (compared to a net loss of \$151,041 - \$0.001 per share for the same period in 2014). Expenses incurred during the three months ended March 31, 2015 were \$869,999 compared to \$530,596 for the same period in 2014. The increase of \$339,403 during the current year was due to a number of factors, the most notable of which are:

**General & Administrative** was \$400,873 for the three months ended March 31, 2015 compared to \$215,818 for the same period in 2014. The increase of \$185,055 is due to the fact that less management time is currently being charged to our partner SolGold on the Cascabel project in Ecuador, which assumed operatorship during a transition period that ended September 30, 2014.

**Share based payments** were \$124,846 for the three months ended March 31, 2015 compared to \$191,357 for the same period in 2014. This \$66,511 decrease was due to a smaller number of options issued during the first quarter of 2015 compared to 2014 as well as a lower option price in 2015 compared to 2014.

**Write down of exploration and evaluation assets** was \$26,525 for the three months ended March 31, 2015 compared to \$1,284 in the same period in 2014. The increase of \$25,241 is due to more generative exploration work being done this quarter over the same period in 2014, and generative work is expensed.

**Consulting fees** are \$13,502 higher in the first three months of 2015 compared to 2014 due mainly to partial reversal of voluntary salary reductions for the CEO and CFO during the last two years.

**Unrealized loss on value of marketable securities** was \$134,183 for the three months ended March 31, 2015 compared to an unrealized gain of \$58,207 for the same period in 2014. This is due to the reduction in values of the investments held by the Company due to adverse market conditions.

**Loss on sale of marketable securities** was \$31,030 during the quarter ended March 31, 2015 compared to \$Nil during the same period in 2014, as no shares were sold during the first quarter 2014.

Revenue for the three months ended March 31, 2015 was \$52,819 compared to \$379,555 for the same quarter in 2014, a decrease of \$326,736. This was due to the fact that SolGold was the Cascabel operator this year, resulting in a sharp decrease in project revenue. Also, during 2014, there was a gain on the deconsolidation of ENSA of \$151,828, as a result of our partner, SolGold plc, electing to increase its ownership of ENSA to 85%. There was also an unrealized gain on value of marketable securities in 2014 compared to a loss in the current quarter.

### **Exploration and evaluation assets**

Total capitalized expenditures on exploration and evaluation assets as at March 31, 2015 were \$2,403,344 compared to \$2,019,801 at December 31, 2014. Net property expenditures of \$410,068 were incurred during the three months ended March 31, 2015 compared to \$138,348 during the same period in 2014. Included in the net property expenditures for the nine months ended March 31, 2015, are recoveries and option payments from exploration partners of \$4,092 compared to \$417,386 for the same period in 2014. This sharp decrease is due to the fact that SolGold elected to own 85% of ENSA in 2014 and is now operator of the Cascabel project. ENSA exploration expenses are now paid directly by ENSA, and not by the Company, thus recoveries from SolGold have decreased.

**Consolidated Schedule of Mineral Properties**  
**(Unaudited)**

<b>Property</b>	<b>Gross Expenditures</b>	<b>Recoveries From Partners</b>	<b>Properties Abandoned and/or Sold</b>	<b>Net Total 2015</b>	<b>Net Total 2014</b>
		\$	\$	\$	\$
Ecuador	17,541,079	(13,233,750)	(2,914,818)	<b>1,392,511</b>	1,122,960
Chile	2,278,169	-	(1,267,336)	<b>1,010,833</b>	896,841
	<u>19,819,248</u>	<u>(13,233,750)</u>	<u>(4,182,154)</u>	<b>2,403,344</b>	2,019,801

**Financial Conditions, Liquidity and Capital Resources**

As at March 31, 2015 the Company had cash of \$1,514,377 compared to cash of \$2,393,197 at December 31, 2014. The Company did not issue any common shares during the three months ended March 31, 2015 compared to receiving proceeds of \$926,555 from share issuances during the same period in 2014. As at March 31, 2015 the working capital (current assets less current liabilities) of the Company was \$1,771,498 compared to \$2,848,057 at December 31, 2014.

The Company believes it has properties which will continue to attract equity investors and exploration partners. Management believes that with existing working capital the Company will have adequate funds to meet its corporate, administrative and property obligations for the next year, but will require financing to expand its exploration programs. While the Company has been successful in raising financing in the past, there can be no assurance that it will be able to do so in the future, if required.

**Outstanding Share Data**

As at March 31, 2015 the Company had 189,815,330 common shares outstanding. The Company had 14,781,998 options outstanding at March 31, 2015, at various exercise prices as shown in the following chart, and 42,647,617 warrants issued in connection with private placement financings. 14,172,500 of the outstanding warrants were issued in connection with a 2011 financing, and are priced at \$0.30 per warrant and had a term of five years from their September 29, 2011 issue date. The balance of the warrants were issued in connection with the April 7, 2014 private placement, and are priced at \$0.35 per warrant (except 1,808,450 finders' warrants at \$0.20) all which have a five year term from issue date of April 7, 2014.

The following table summarizes information about stock options outstanding and exercisable at March 31, 2015:

<u>Total Options Outstanding</u>				<u>Total Exercisable Options</u>		
<b>Exercise Price Range</b> \$	<b>Number of Outstanding Options</b>	<b>Remaining Contractual Life</b>	<b>Weighted Average Strike Price</b> \$	<b>Number of Exercisable Options</b>	<b>Remaining Contractual Life</b>	<b>Weighted Average Strike Price</b> \$
0.10 - 0.19	9,783,332	3.37	0.15	6,884,999	2.93	0.15
0.20 - 0.39	1,311,666	0.80	0.33	1,311,666	0.80	0.33
0.40 - 0.59	3,687,000	0.58	0.55	3,687,000	0.58	0.55
	<u>14,781,998</u>	<u>2.45</u>	<u>0.26</u>	<u>11,883,665</u>	<u>1.96</u>	<u>0.29</u>

### **Deconsolidation of Subsidiary**

In February 2014, the Company was notified by SolGold of its election to increase its ownership in ENSA to 85%. The Company received \$250,000 as a private placement and issued 2,500,000 common shares to SolGold. The Company also received 488,560 common shares of SolGold, valued at \$100,000 as per the terms of the agreement. The President and Legal Representative of ENSA was changed to a SolGold nominee who is now responsible for the day to day activities of ENSA. Changes were also made to the ENSA Board of Directors, resulting in Cornerstone no longer holding the majority of board seats. In the Company's opinion, these changes have resulted in a loss of control by the Company, and consequently, ENSA had to be deconsolidated from the Company's consolidated financial statements. The resulting investment in ENSA of \$42,857 is classified as an available-for-sale asset. The deconsolidation resulted in reversal of the non-controlling interest of \$193,657 and a gain of \$151,828 being recorded in the current period. SolGold will finance the Company's 15% interest in the project to completion of a bankable (National Instrument 43-101 compliant) feasibility study ("BFS") on SolGold's schedule and budget. If the Company fails to fund its proportionate share of expenditures following completion of the BFS and its interest is diluted below 10%, this interest will be converted to a 0.5% Net Smelter Return ("NSR"). SolGold may buy out this and other royalties on Cascabel for payments of US\$7.5 million (\$3.5 million to buy out the Company's 0.5% NSR and \$4 million to buy out an underlying 2% NSR to a 3rd party). SolGold may recover the Company's financed costs to BFS from 90% of Cornerstone's share of Cascabel project cash flows.

### **Financial Instrument Risk**

The Corporation's financial assets and financial liabilities are exposed to various risk factors that may affect the fair value presentation or the amount ultimately received or paid on settlement of its assets and liabilities. A summary of the major financial instrument risks and the Corporation's approach to the management of these risks are highlighted below.

#### *Credit risk*

The Corporation has some credit risk with accounts receivable balances owing from earn-in partners but the amount is not considered significant. The Corporation's cash and marketable securities are held in Canadian financial institutions. Management believes that the credit risk concentration with respect to financial instruments included in the receivables and marketable securities is manageable, but has taken an allowance of \$100,000 in the current year, for a disputed accounts receivable from a partner.

#### *Foreign currency risk*

The Company transacts certain business in U.S. dollars, 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.

#### *Liquidity risk*

The Company has no source of operating cash flow to fund its exploration and development projects. Significant exploration work is dependent on equity financing. There is no assurance that funding will always be available to allow the Company to fulfill its obligations on existing or future exploration projects. Failure to obtain financing could result in delay or indefinite postponement of exploration.

#### *Other 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.

#### *Interest rate risk*

The Corporation does not have any debt and is therefore not exposed to interest rate risk on liabilities. The Corporation's cash and marketable securities may fluctuate in value depending on the market interest rates and the time to maturity of the instruments.

### **Related Party Transactions**

The following represents a summary of transactions with parties under common control and shareholders for the three months ended March 31, 2015. The amounts, which are all expensed as professional and administrative charges, are recorded at the exchange amounts:

D.R. Loveys & Associates Inc., controlled by Director David Loveys, the Company's Vice President Finance, CFO and Corporate Secretary, billed a total of \$33,000 (2014 - \$30,000) for the three months

ended March 31, 2015, for accounting and management consulting services. Director Brooke Macdonald, who serves as the Company's President and CEO, provided the Company with management consulting services of \$53,382 (2014 – \$40,980) the three months ended March 31, 2015. These transactions are considered to be in the normal course of business.

Compensation for the three months ended March 31, 2015 for key management personnel, not included above, is \$187,679 (2014 - \$231,221), which includes salary and other short-term benefits of \$80,749 (2014 - \$70,828), and share-based payments of \$106,930 (2014 – \$160,393). These amounts include salary and benefits for the Company's Vice President, Exploration, stipends for non-management directors, group insurances for all management and share based payments for all management and directors.

### **Acquisition and Write-down of Mineral Properties**

The Company's strategy is grass roots project generation followed by project level exploration usually with a partner which funds exploration costs. All properties which are under consideration for acquisition must initially pass through Company generated evaluation criteria. Properties which are considered worthy are then acquired, provided a reasonable agreement can be reached with the owner or the property is available for staking. In cases where the project does not develop to the stage that management perceives it to be likely to attract such financing or if subsequent work by the Company indicates that further in-house work will not yield favourable results, the property is abandoned and written down.

### **Off-Balance Sheet Arrangements**

At March 31, 2015, the Company had no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

### **Property Agreements and Exploration**

The Company is engaged in the evaluation, acquisition and exploration of mineral properties in Ecuador and Chile, of which most of the exploration activities of the Company are carried on with partners. The Company plans to ultimately develop the properties, bring them into production, option or lease properties to third parties, or sell the properties outright. The Company typically uses an "earn-in" arrangement with partners, whereby the partner funds all the exploration expenditures in return for a percentage ownership in the project. The Company capitalizes all such property expenditures and reduces the property carrying value by payments received by its partners.

Details of property agreements are disclosed by press release at the time of formation. Updates concerning the results of ongoing exploration programs are also updated by press release. Press releases issued by the Company, including those issued during the quarter ended March 31, 2015, are archived at the Company's website [www.cornerstoneresources.com](http://www.cornerstoneresources.com). Regulatory filings are also available through [www.sedar.com](http://www.sedar.com).

### **Exploration Outlook**

The focus of the Company in 2014 has been and will continue in 2015 to be on its projects in Ecuador,

and on the Miocene project in Chile. Our business model remains that of a prospect generator, and we will continue to seek partner funding to advance our properties while retaining a minority and/or royalty interest.

## ECUADOR

### *Cascabel and La Encrucijada (subject to an earn-in agreement with SolGold plc)*

On April 10, 2012, the Company and SolGold Plc (“SolGold”) announced that they had signed a binding letter of intent (“LOI”) outlining the terms of an option arrangement for the Cascabel property. On July 24, 2012 the Company and SolGold signed the definitive agreement and on February 19, 2013, the Company announced re-negotiated terms of the agreement with SolGold. The agreement was further amended effective February 24, 2014 (see News release dated December 16, 2013 for a summary of the agreed amendments, which were later formalized on February 24, 2014 and filed on Sedar on February 25, 2014).

Under the new agreement:

-SolGold immediately subscribed for Cornerstone shares at the higher of \$0.05 cents a share or a 7-day volume weighted average price (“VWAP”) for a subscription amount of \$200,000 and was issued a 20% interest in ENSA.

-In April 2013 SolGold acquired a further 10% interest giving it a direct 30% interest in ENSA by subscribing a further \$250,000 of Cornerstone shares at the higher of \$0.05 cents a share or 7-day VWAP.

-In August 2013, SolGold elected to make a further placement in Cornerstone of \$500,000 at \$0.065 per share (the higher of \$0.05 cents or 7-day VWAP) on the issuance of the environmental licence to allow drilling to occur at Cascabel. SolGold received an additional 20% interest in ENSA taking SolGold's position to 50% of ENSA.

- On February 25, 2014, the Company announced it had been notified by SolGold of its election to increase its ownership in ENSA to 85%. The Company received \$250,000 as a private placement and issued 2,500,000 common shares to SolGold. The Company also received 488,560 common shares of SolGold, representing \$100,000 as per the agreed upon terms of the agreement.

-SolGold will finance Cornerstone’s 15% interest in the project to completion of a feasibility study on SolGold's schedule and budget. If Cornerstone fails to fund its proportionate share of ongoing expenditures following completion of the feasibility study and its interest is diluted below 10% such interest will be converted to a 0.5% Net Smelter Return (“NSR”). SolGold may buy out this and other royalties on Cascabel for payments of US\$7.5 million (\$3.5 million to buy out Cornerstone's 0.5% NSR and \$4 million to buy out an underlying 2% NSR to a 3rd party). SolGold may recover Cornerstone's financed costs to completion of the feasibility study study from 90% of Cornerstone's share of Cascabel project cash flows.

### ***Drill Hole CSD-13-005***

Hole CSD-13-005 was the most notable hole at the Cascabel, Alpala porphyry prospect to date. It was sited to test the western flank of the 4km<sup>2</sup> Alpala Magnetic Complex at depth beneath drill holes 1 and 2. Holes 1 and 2 had intersected long runs of copper and gold mineralization associated with porphyry copper-gold quartz stockwork and sheeted veins at the Alpala prospect. The following highly significant intersections were generated:

**1306m grading 0.62% Cu and 0.54 g/t Au (from 24m);  
672m grading 0.93% Cu and 0.91 g/t Au (from 658m);  
552m grading 1.03% Cu and 1.05 g/t Au (from 778m); and  
an even higher grade interval of 258m grading 1.27% Cu and 1.40 g/t Au from 1052m depth.**

### ***Drill hole CSD-14-007***

Hole CSD 14-007 intersected 597.26m @ 0.46 % copper and 0.18 g/t gold from 654m to 1251.26m depth, including:

**195.26m @ 0.67 % copper and 0.34 g/t gold from 1056m; and  
51.26m @ 1.05 % copper and 0.85 g/t gold from 1200m depth.**

From 654m to 1612m, 958m @ 0.40% copper (Cu) and 0.17 g/t gold (Au), including the following intersections:

**From 1056m to 1294m, 238m @ 0.65% Cu and 0.35 g/t Au  
From 1160m to 1294m, 134m @ 0.75% Cu and 0.50 g/t Au  
From 1200m to 1294m, 94m @ 0.84% Cu and 0.62 g/t Au**

Hole 7 was terminated on July 25<sup>th</sup> at a depth of 1672.76 metres after encountering substantial intersections of copper-gold mineralization on the southwest edge of the Central Magnetic Feature.

### ***Drill hole CSD-14-009***

Drill hole CSD-14-009 (“Hole 9”) total downhole interval extends over 1 kilometre and remains open at depth.

Bulk intersection of 1270.8m grading 0.59% copper and 0.77 g/t gold (~485m true width) for 1.06% copper equivalent from 430m to 1700.8m (current hole depth)

**Includes 1058m grading 0.68% copper and 0.92 g/t gold (~401m true width) for 1.21% copper equivalent from 650m to 1700.8m (current hole depth), and 772m grading 0.80% copper and 1.19 g/t gold (~295m true width) for 1.51% copper equivalent from 710m to 1482m**

Two distinct high grade porphyry stockwork zones intersected:

**Upper High Grade Zone of 110m @ 1.13% copper and 2.32g/t gold (~42m true width) for 2.53% copper equivalent from 710m**

**Lower High Grade Zone of 420m grading 1.00% Cu & 1.35 g/t Au (~160m true width) for 1.81% Cu equivalent from 1062m; including 298m @ 1.24 % copper & 1.72g/t gold (~114m true width) for 2.28% copper equivalent from 1184m**

***Drill hole CSD-14-010***

Final assay results from Hole 10 have been received. The results support the extension of further copper-gold mineralization to the northwest, with an intersection of 220m@0.58% Cu and 0.59g/t Au (for 0.94% Cu equivalent) from 684m, including 92m@0.84% Cu and 1.08g/t Au (for 1.49% Cu equivalent) from 760m. Hole 10 was terminated at 974.84m due to drilling difficulties approximately 150m short of the interpreted high-grade zone previously encountered in Holes 5 and 9 located to the southeast. The zone of strongly mineralized porphyry at Alpala is now interpreted, on the basis of compelling drilling data, to extend over a strike length of 375 metres and is expected to continue to the northwest and southeast.

***Drill hole CSD-15-011*** commenced April 9, 2015.

CSD-15-011 (“Hole 11”) has intersected strong visual copper sulphide mineralization from 996.6m to 1051.9m, extending the high-grade copper-gold zones intersected in CSD-14-009 (“Hole 9”) and CSD-15-010 (“Hole 10”). This zone shows multiple intrusive phases, a complex alteration pattern and a higher sulphide and vein content.

Copper and Gold grade in the deep intersections at Alpala compare favourably with other operating and development underground block cave operations; and the Alpala prospect indicating substantial size in three dimensions.

**La Encrucijada** is part of the same earn-in agreement with SolGold plc. Earlier prospecting work carried out by the Company confirmed results from previous property owners, which indicates good potential for significant shallow epithermal gold-silver mineralization and porphyry gold-copper mineralization at depth. No significant work was done on the property during the year.

**Shyri NW Concession (Vetas Grandes Prospect, - Gold/Silver - 100% Cornerstone, available for option)**

The Company believes its 100% owned “Shyri NW” concession, the site of the **Vetas Grandes** prospect, has the potential to host a significant epithermal style gold-silver deposit. The Company has retained a local consultant to prepare a stakeholder map and action plan to carry out community consultations and obtain environmental approvals required to commence Phase 1 drilling at Vetas Grandes. Drilling will likely not begin until the Company can locate a suitable partner to fund the drilling.

**Caña Brava - Gold/Copper - (Available for option. Cornerstone has the right to earn 100%)**

On February 26 2015, the Company announced results from prospecting and geological mapping surveys carried out during 2014 on its 100% owned Caña Brava property located in south-central Ecuador. The surveys identified (1) two significant porphyry Cu-Au targets well defined by coincident

geological, geochemical and ground magnetic anomalies, (2) an intermediate sulphidation, higher grade, epithermal Au-Ag-Cu veins-breccia system mapped on the northern margin of the porphyry targets, and (3) a high sulphidation epithermal Au-Ag system recognized in the northeast corner of the property. A trenching program is underway and drill targets will be defined in the next several months. The Company is seeking a partner to fund more advanced exploration programs on the property.

The Company has the right to earn a 100% interest in the Caña Brava project in return for cash option payments each 6 months, starting at \$15,000 and increasing by \$5,000 increments to \$ 40,000 at month 42 and then continuing at that level until the Company decides to exercise the option by making a final balloon payment of \$350,000. The \$350,000 balloon payment may be made early, and the option exercised at any time, in which case the remaining semestral payments in the schedule do not have to be made (all amounts are US\$). The Company made the first \$15,000 payment on signing the option contract, and then declared force majeure due to the 2008 Mining Mandate (Moratorium) in Ecuador and the recovery of the concession title during a long appeal process. Force majeure was lifted in 2014 due to recent resumption of limited exploration activities by the Company at Caña Brava.

#### **Bella Maria – Gold (100% Cornerstone, available for option)**

On May 11, 2012, the Company announced that it has received authorization to resume activities on the Bella Maria project and provided a summary of results for exploration work carried out prior to the April 2008 Mining Moratorium. Initial results indicate that the property has excellent potential for hosting significant gold and copper mineralization. Stream sediment samples collected across the property are exceptionally anomalous in gold, and a large coincident gold- and copper-in-soil anomaly accompanied by porphyry style mineralization has been identified in the central part of the property. Four mineralized prospects have been identified.

On October 2, 2014 the Company announced that (1) systematic exploration programs carried out in 2014 confirm previously defined extensive gold-copper-molybdenum in-soil anomalies, and (2) three new prospective areas have been defined for copper-gold mineralization.

#### **Macara (with Newmont Ventures Limited)**

The Macara project located in southernmost Ecuador is subject to a strategic alliance between the Company and Newmont Ventures Limited, a subsidiary of Newmont Mining Corporation. Due to the inability of the Company to acquire additional prospects in the area of interest of the Macara strategic alliance because the Ecuadorean government is not yet accepting applications for mineral rights there, Newmont has decided it no longer wishes to maintain the Bella Vista property (which is the only surviving property in the strategic alliance since the 2008 Mining Mandate (moratorium), as a result of which the Bella Vista property has been relinquished and all costs have been written off at December 31, 2014.

#### **ENAMI Letter of Intent**

On April 14, 2015, the Company signed a letter of intent with Ecuador's State Mining Company "ENAMI EP", to jointly explore new prospective gold and copper properties identified using the Company's extensive proprietary geological data base gathered since 2005 in Ecuador. The principal terms of the arrangement are as follows:

The Company will identify geologically prospective areas covering between 5,000 to 50,000 hectares in parts of Ecuador that are currently off limits to application by private companies. ENAMI will use

its preferential right to acquire the mineral exploration concession rights, and then the Company (employing its prospect generator business model) and a funding partner(s) (who will earn a majority interest in the project, the exact percentage to be negotiated with the Company) will earn an interest in each specific area or project explored, by incurring committed first year prospecting expenditures, optional early and advanced stage exploration expenditures (including drilling) for a period of up to 8 years, and, if warranted, additional sums in optional feasibility study expenditures for up to 4 additional years.

At the end of the advanced exploration phase (prior to feasibility study), the parties will form a joint venture, ENAMI will contribute the mineral rights in return for a 16% interest, and the Company and its funding partner will contribute their expenditures incurred to date in return for an 84% interest. ENAMI will have a free carried interest through to completion of a feasibility study. In the event the Company and its funding partner(s) agree to make a Production Decision, ENAMI will have the option to convert 5% of its participating interest to a 1% royalty, and have the Company and its funding partner(s) finance the remaining interest or part of the remaining interest under certain commercial terms, such financing to be repaid out of project cash flows. The Company will have a right of first refusal (ROFR) over any sale by ENAMI of its equity participation in the joint venture or any royalty.

Although ENAMI EP is a state enterprise, the granting of mineral concessions in Ecuador is within the exclusive jurisdiction of the Ministry of Mines, which sets its own policies with regard to the timing of opening certain areas of the country to exploration and who mineral concessions will be granted to, as a result of which there is no guarantee that concessions requested by ENAMI EP for joint exploration with the Company will be granted.

The arrangement described above to jointly explore properties with ENAMI is not an exclusive arrangement with the Company. ENAMI EP is free to enter into similar arrangements with other companies. The Company is only the first company to enter into such an arrangement, which has been under negotiation since December 2013.

The Letter of Intent is subject to negotiation and execution of a definitive binding agreement.

## **CHILE**

### **Miocene – Gold - (Available for option. Cornerstone has the right to earn 100%)**

On July 3rd, 2014, the Company announced that it had further amended the Miocene (Chile) Property Agreement (see also news releases dated February 22, 2011 and May 8, 2014), 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 \$2.5 million in exploration expenditures in annual increments by April 28, 2019 (all amounts are CAD\$).

On November 4, 2014 the Company announced the re-start of work at Miocene during the austral summer. Five prospective areas defined by previous compilation and exploration work within the Miocene property were the focus of the recent exploration program: El Chaco, Zona Norte, Llano Blanco, Cerro Bayos Norte and Cerro Bayos Sur (Figure 3). Semi-detailed geological mapping (scale

1:5000) and systematic rock geochemical sampling were carried out in these five areas. 390 rock samples were collected, assayed for precious metals (gold and silver) and a suite of base metals and epithermal pathfinder elements. Spectrometry work (ASD TerraSpec) was carried out on all rock specimens (478 samples) collected during the 2011 to 2014 field programs.

Two sub-parallel NW-SE oriented alteration / anomalous trends affect the volcanic units present on the property. The Cerro Bayos (CB) alteration zone covers an area of approximately 9km by 3km and is located in the SW extension of the Atlas Gold, Atlas Silver and the Pampa epithermal prospects. Alteration minerals (native sulphur, predominant alunite, vuggy and massive silica and some silica-clay in the peripheral parts) and 3D distribution mapped along this trend are typical of high sulphidation epithermal system, centered on the highest part of Cerro Bayos Norte (CBN), with the top of the paleo-phreatic zone estimated to be at approximately 4260 masl. Similar alteration patterns are present at Cerro Bayos Sur (CBS) where the top of the paleo-phreatic zone at this location is estimated at 4150 masl. High temperature alunite and high cristallinity kaolinite minerals are centered on the CBN and CBS zones, with some minor presence within the Llano Blanco trend to the south. The aerial extent of the prospective CBN and CBS alteration zones are at least 5 km by 3 km and 4 Km by 2.5 km but can possibly be significantly larger as they are partly covered by a thin veneer of relatively fresh younger volcanic rocks and gravels.

Rock geochemical anomalies defined on the Miocene property are very similar in distribution and intensities to anomalies defined during the regional prospecting program in the vicinity of the Atlas Gold and Silver prospects located to the NW. As expected in the upper part of this epithermal environment, the gold content is systematically low. Strong arsenic and mercury anomalies are present at El Chaco, CBN and CBS and to a minor degree at Azufre and Silice Masiva zones. Barium anomalies are present at CBN, Llano Blanco Norte and Cerro Azufre. Molybdenum is anomalous at CBN, to the NE of CBN and to a minor degree at CBS, Llano Blanco Norte and Silice Masiva zones. A large and strong copper anomaly is present at CBN and some less intense but widespread anomalies at Llano Blanco Norte and Cerro Azufre sectors. Sulphur anomalies are present at CBN, CBS, Llano Blanco Norte and Cerro Azufre

One of the Miocene concessions lies adjacent to Mirasol Resources Ltd.'s (TSXV-MRZ) Titan project, where recent trench channel sampling has returned anomalous gold of 194 m at 0.41 g/t gold and higher grade intervals including 31 m at 1.36 g/t gold and 10 m at 2.13 g/t gold. Mirasol interprets the newly discovered mineralization as a high-sulphidation epithermal gold system sitting above a postulated mineralized intrusion at depth. Recently completed ground geophysical surveys comprising high resolution magnetics and induced polarization support the aforementioned deposit model(s). The Company holds a strong land position in this part of the Miocene Belt (>31,000 hectares), including approximately 16,000 hectares in the same district as the Titan project. The Company is encouraged by early results from Mirasol's Titan project, which serve to support the conceptual model utilized in acquiring the Miocene concessions. The Company continues to seek a partner to help advance exploration on this exciting early-stage project.

### **Qualified Person**

The technical information contained in this exploration update has been reviewed and approved by Yvan Crepeau, P.Geo., Vice President Exploration of the Company. Mr. Crepeau is also president of Cornerstone Ecuador S.A. and Minera Cornerstone Chile Limitada (Ecuadorian and Chilean projects), and a Qualified Person in accordance with National Instrument 43-101.

## **Investor Relations Activities**

The Company continues to work at broadening its investor base through strategic marketing and on-going investor communications through timely news releases and regular targeted updates. Due to the downturn in the equity markets for exploration companies, the Company will continue to handle most of its investor relations activities in-house. During 2014, the CEO and the Vice President of Exploration promoted the Company's projects at the Prospect & Developers Association of Canada (PDAC)'s annual conference in Toronto in March, the Chicago Resource Expo, the Sprott Vancouver Natural Resource Symposium in July, the Casey Research Summit in San Antonio, Texas in September, and at the Mine Latin America Conference in Toronto in November. The CEO and the VP Exploration were also interviewed by gold analyst Jay Taylor on his weekly radio program, the Company was featured several times in the National Investor newsletter, and undertook one investor road show to Toronto and Montreal. In addition, the CEO was interviewed by the Financial Times of London for an article on investment conditions in the Ecuadorean Mining sector.

## **Risks and Uncertainties**

The Company is principally involved in mineral exploration, which is an inherently high-risk activity. Exploration is also capital intensive and the Company has no sources of funding other than financing arrangements with other mining and exploration companies and equity financing. Only the skills of management and staff in mineral exploration and exploration financing serve to mitigate these risks. The ability of the Company to continue operations into the future is dependent upon continuing to obtain favourable results from its exploration activities, which will affect its ability to attract partners and to raise financing. The participation of partners is very important to the future success of the Company.

The Company has a simple business model, one which is as low risk as possible in such a high risk business as mineral exploration: to generate diversified exploration projects at low cost to the Company, to attract JV partners to finance further exploration and to be the operator on the majority of these projects which allows the Company to transfer personnel and administration costs to the JV, thereby maintaining a lower burn rate. The more projects that can be generated and the longer the company can obtain financing the better its chances for achieving success. The Cascabel project in Ecuador is an example of the Company's success in generating prospects with excellent potential for large discoveries.

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 and may be affected by undetected defects. Exploration activity is also dependent on the laws of local governments, including aboriginal governing bodies, which may change from time to time, and may have an effect on the Company's exploration programs.

The Company has been subject to political risk, operating in foreign jurisdictions. The Government of Ecuador, which on March 5, 2012 signed its first major mining development agreement for the Mirador copper project, is increasingly welcoming environmentally friendly, socially responsible, sustainable mining development and the Company is positioning itself to be a major player in Ecuador. In 2014 the Government of Ecuador retained international mining consultant Wood MacKenzie to advise it on how to make Ecuador a more competitive destination for mining investment, and President Rafael Correa announced in late May that significant changes will be forthcoming.

## **Selected Annual Information**

The following information has been derived from the three most recently completed annual financial statements:

As at December 31,	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net loss	(2,068,776)	(1,684,597)	(7,389,926)
Loss per share - basic and diluted	(0.01)	(0.01)	(0.05)
Total assets	5,389,527	3,461,046	4,289,629

## **Summary of Quarterly Results**

The following information has been derived from the eight most recently completed quarters, all presented under IFRS.

	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>September 30, 2014</b>	<b>June 30, 2014</b>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net loss	(817,180)	(1,084,629)	(357,654)	(475,452)
Loss per share - Basic and diluted	(0.004)	(0.006)	(0.002)	(0.003)

	<b>March 31, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>	<b>June 30, 2013</b>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net loss	(151,041)	(222,026)	(715,806)	(282,726)
Loss per share - Basic and diluted	(0.001)	(0.001)	(0.005)	(0.002)

## **Management's Responsibility for Financial Statements**

The Board of Directors carries out its responsibility for the consolidated financial statements primarily through the audit committee which is composed of independent, non-executive directors who meet periodically with management and auditors to review financial reporting and internal control matters.

## **Future Accounting Changes**

The following standards are effective for annual periods beginning on or after January 1, 2015, 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 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before February 1, 2015.

## **Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations***

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 *Impairment of Assets* regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations. The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016.

## **Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization***

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue; or
- b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016.

## **Contingencies**

The Company has received two claims instituted by individuals with respect to a contract and employment matters. Although such matters cannot be predicted with certainty, management currently considers the Company's exposure to such claims and litigation to be remote. As such, no provision has been recorded in these financial statements.

## **Other**

The Company's shares are traded on the TSX Venture Exchange under the stock symbol CGP as well as the over the counter market in the USA under the symbol CTNXF. The Company is also listed on the Frankfurt and Berlin Stock Exchanges under the stock symbol GWN.

Financial Statements and press releases issued by the Company, including those issued during the quarter ended March 31, 2015, and other information concerning the Company are archived at the Company website [www.cornerstoneresources.com](http://www.cornerstoneresources.com). Regulatory filings are also available through [www.sedar.com](http://www.sedar.com).