



November 7, 2016

Dear Shareholders,

Over the past nine months, we have taken a number of steps to strengthen our balance sheet by exiting legacy and other investments in order to improve our liquidity and focus on our core holdings with the greatest potential to create value for our shareholders. Year-to-date, SRC has generated approximately \$43.0 million in proceeds through the monetization of legacy holdings.

During the quarter, SRC's net asset value ("NAV") increased to \$105.7 million or \$1.09 per share, from \$94.7 million or \$0.98 per share at the end of the second quarter of 2016. The majority of the NAV increase is attributable to the share price appreciation from our metallurgical coal investment, Corsa Coal Corp. ("Corsa Coal").

Since mid-August, SRC sold over 90% of its position in Independence Contract Drilling, Inc. ("ICD"), generating net proceeds of approximately \$27.5 million.

Through these actions, we generated proceeds sufficient to retire the entire amount of SRC's debt and to participate in follow-on financings of two of our key portfolio holdings. Both of these financings involved participation from cornerstone shareholders, including SRC, and may not otherwise have been successful.

In October, SRC invested \$10 million in InPlay Oil Corp. ("InPlay Oil") to support its asset purchase and business combination with Anderson Energy Inc. ("Anderson"). Upon successful completion of the business combination, the pro-forma continuing business (InPlay Oil) will be a well-capitalized, low debt, high netback, Cardium focused oil producer. SRC will own approximately 11% of the combined entity. The Toronto Stock Exchange has conditionally approved the listing of the common shares of InPlay Oil on the TSX, subject to the company fulfilling all of the applicable listing requirements of the TSX. The oil market has recently stabilized and, at current oil prices, management believes that InPlay Oil will be well positioned following the business combination as a result of its transition to a larger, public, light oil producer with a significantly de-levered balance sheet.

In October, SRC invested an additional \$1 million in Corsa Coal as part of a \$23 million financing. After giving effect to the transaction, SRC will own approximately 17% of Corsa Coal. Metallurgical coal prices have improved dramatically in 2016, with the benchmark metallurgical coal price increasing by over 200% year-to-date. This recovery is encouraging for SRC's investment in Corsa Coal, as the company intends to aggressively expand its production and sales volumes to capitalize on the current favorable market conditions. Its recent financing is expected to enable Corsa to continue to execute on its growth strategy of developing its fully permitted underground metallurgical coal mines.

In other portfolio company developments, RII North America Inc. is currently putting its enhanced oil recovery technology into production on its property with the intent of validating the commercial viability of its enhanced oil recovery technology over the next few months.

After giving effect to the investments in InPlay Oil and Corsa Coal, SRC is now debt free with approximately \$12.0 million in cash.

We think this is an exciting time for our investors. Following a challenging period for the company amid a long and severe bear market in the natural resource sector, SRC is now debt free and well positioned with strong core holdings in the mining and energy sectors. We will continue to pursue opportunities to monetize legacy holdings in order to improve our liquidity and pursue new, high-potential opportunities during what we believe to be a very attractive phase of the natural resource cycle.

On behalf of our Board of Directors and employees, I thank you for your continued support and look forward to reporting to you on our progress at the end of the year.

Sincerely,

(signed) "Steve Yuzpe"

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President and Chief Executive Officer