



*Consolidated Financial Statements of*

**CORNERSTONE CAPITAL  
RESOURCES INC.**

*For the three months ended  
March 31, 2007 and 2006*

# **CORNERSTONE CAPITAL RESOURCES INC.**

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**CORNERSTONE CAPITAL RESOURCES INC.**  
**Consolidated Statements of Loss and Deficit**  
(Unaudited)

	<b>For the three months ended March 31, 2007</b>	<b>For the three months ended March 31, 2006</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUE</b>		
Investment income	46,612	-
Other income	17,730	35,577
	<b>64,342</b>	<b>35,577</b>
<b>EXPENSES</b>		
General and administrative	406,828	384,035
Stock-based compensation	123,850	69,752
Foreign exchange loss	32,896	-
Amortization	11,492	6,134
Interest and bank charges	1,427	2,062
	<b>576,493</b>	<b>461,983</b>
NET LOSS FOR THE PERIOD	<b>(512,151)</b>	<b>(426,406)</b>
DEFICIT, BEGINNING OF PERIOD	<b>(8,114,477)</b>	<b>(4,866,114)</b>
DEFICIT, END OF PERIOD	<b>(8,626,628)</b>	<b>(5,292,520)</b>
LOSS PER SHARE - BASIC AND DILUTED	<b>(0.01)</b>	<b>(0.01)</b>
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED	<b>50,298,533</b>	<b>33,449,922</b>

See accompanying notes to the consolidated financial statements

# CORNERSTONE CAPITAL RESOURCES INC.

## Consolidated Balance Sheets

	As at March 31, 2007	As at December 31, 2006
	(Unaudited)	(Audited)
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	4,969,735	5,793,498
Marketable securities, at market value	551,459	710,554
Accounts receivable	1,347,018	1,802,845
Refundable staking deposits	100,354	36,750
Prepaid expenses	86,759	69,116
	<b>7,055,325</b>	8,412,763
MINERAL PROPERTIES (Note 4)	6,060,012	5,867,591
<b>CAPITAL ASSETS</b>	<b>236,882</b>	228,411
	<b>13,352,219</b>	14,508,765
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	729,234	1,461,629
Demand bank loan	11,220	11,985
	<b>740,454</b>	1,473,614
DEFERRED OPTION PAYMENTS (Note 5)	1,532,991	1,527,295
	<b>2,273,445</b>	3,000,909
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	16,762,988	16,412,851
Warrants (Note 6)	1,093,750	1,093,750
Contributed surplus (Note 6)	2,157,255	2,115,732
Deficit	(8,626,628)	(8,114,477)
Accumulated other comprehensive income (loss) (Note 2)	(308,591)	-
	<b>11,078,774</b>	11,507,856
	<b>13,352,219</b>	14,508,765

**BASIS OF PRESENTATION (Note 1)**

**COMMITMENTS (Note 8)**

APPROVED BY THE BOARD OF DIRECTORS:

"Glen H. McKay" Director

"John Fleming" Director

See accompanying notes to the consolidated financial statements

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

	<b>For the three months ended March 31, 2007</b>	For the three months ended March 31, 2006
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(512,151)	(426,406)
Items not affecting cash:		
Amortization of capital assets	11,492	6,134
Fair value of stock-based compensation	123,850	69,752
Changes in non-cash operating working capital	(566,615)	48,958
	<b>(943,424)</b>	<b>(301,562)</b>
<b>INVESTING ACTIVITIES</b>		
Mineral properties expenditures - net	(52,956)	(502,326)
Purchase of capital assets	(19,963)	(10,855)
	<b>(72,919)</b>	<b>(513,181)</b>
<b>FINANCING ACTIVITIES</b>		
Repayments of demand bank loan	(765)	(1,020)
Proceeds from deferred option payments	100,000	60,006
Proceeds from issuance of share capital - net	93,345	683,632
	<b>192,580</b>	<b>742,618</b>
DECREASE IN CASH AND CASH EQUIVALENTS	<b>(823,763)</b>	<b>(72,125)</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<b>5,793,498</b>	1,596,130
CASH AND CASH EQUIVALENTS, END OF PERIOD	<b>4,969,735</b>	1,524,005
COMPRISED OF : Bank deposits and cash on hand	<b>1,516,025</b>	716,751
Bank guaranteed investment certificates	<b>3,453,710</b>	807,254
	<b>4,969,735</b>	1,524,005

SUPPLEMENTAL CASH FLOW INFORMATION (NOTE 9)

See accompanying notes to the consolidated financial statements

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Consolidated Statements of Comprehensive Income (Loss)**  
(Unaudited)

	<b>For the three months ended March 31, 2007</b>	For the three months ended March 31, 2006
	\$	\$
NET LOSS	(512,151)	(426,406)
OTHER COMPREHENSIVE INCOME (LOSS)		
Loss in fair value of marketable securities	(308,591)	-
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>(820,742)</b>	<b>(426,406)</b>

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Consolidated Statements of Accumulated Other Comprehensive Income (Loss)**  
(Unaudited)

	<b>For the three months ended March 31, 2007</b>	For the three months ended March 31, 2006
	\$	\$
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
BEGINNING OF PERIOD	-	-
OTHER COMPREHENSIVE INCOME (LOSS)	(308,591)	-
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
END OF PERIOD	(308,591)	-

See accompanying notes to the consolidated financial statements

# **CORNERSTONE CAPITAL RESOURCES INC.**

## **Notes to the Consolidated Financial Statements**

For the three months ended March 31, 2007 and 2006 (unless otherwise noted)  
(Unaudited)

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### **1. BASIS OF PRESENTATION**

The interim consolidated financial statements (the “financial statements”) of Cornerstone Capital Resources Inc. (the “Company”) have been prepared in accordance with the accounting principles and methods of application disclosed in the consolidated financial statements for the year ended December 31, 2006, except as disclosed in Note 2.

These financial statements include all adjustments that are, in the opinion of management, necessary for a fair presentation. These financial statements do not include all disclosures required by Canadian generally accepted accounting principles for annual financial statements, and accordingly the financial statements should be read in conjunction with the Company’s consolidated financial statements and notes thereto for the year ended December 31, 2006.

Management has estimated that the Company will have adequate funds from existing working capital to meet its corporate administrative and property obligations for the coming year. The financial statements were prepared using accounting principles applicable to a going concern, which assumes the Company will continue in operation for a reasonable period of time and will be able to realize its assets and discharge its liabilities in the normal course of operation.

The recoverability of the amounts shown for mineral properties and related deferred costs is dependent upon the existence of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production. The amounts shown as mineral properties represent net costs to date and do not necessarily represent present or future values.

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.

### **2. CHANGE IN ACCOUNTING POLICY**

In the first quarter of 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1530, *Comprehensive Income*, introduces a new financial statement which shows the change in equity of an enterprise from transactions and other events and circumstances from non-owner sources.

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
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**(Unaudited)**

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**2. CHANGE IN ACCOUNTING POLICY (CONTINUED)**

Section 3855, *Financial Instruments – Recognition and Measurement*, establishes standards for recognizing and measuring financial instruments, namely financial assets, financial liabilities and derivatives.

The new standard lays out how financial instruments are to be recognized depending on their classification. Depending on financial instruments' classification, changes in subsequent measurements are recognized in net income or comprehensive income.

The Company has implemented the following classifications:

-Cash and cash equivalents are classified as "Financial Assets Held for Trading". These financial assets are marked-to-market through net income at each period end.

-Marketable Securities are classified as "Available-for-Sale-Securities". These financial assets are marked-to-market through comprehensive income at each period end. As all the marketable securities are shares of publicly traded companies, the market value is equivalent to the share price on the Toronto Stock (Venture) Exchange at the balance sheet date.

-Accounts receivable and refundable staking deposits are classified as "Loans and Receivables". 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.

-Accounts payable, bank loan and deferred option payments 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.

These new standards have to be applied without restatement of prior period amounts. Upon initial application, all adjustments to the carrying amount of financial assets and liabilities shall be recognized as an adjustment to the opening balance of retained earnings or accumulated other comprehensive income, depending on the classification of existing assets or liabilities.

**3. BASIS OF CONSOLIDATION**

These consolidated financial statements reflect the financial position, results of operations and cash flows of the Company and its wholly owned subsidiaries, Cornerstone Resources Inc., Cornerstone International Inc., Cornerstone Ecuador S.A. and La Plata Minerales S.A.

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**

For the three months ended March 31, 2007 and 2006 (unless otherwise noted)  
**(Unaudited)**

**4. MINERAL PROPERTIES**

As at March 31, 2007, the Company has been issued 80 (2006 - 69) licenses by the Government of Newfoundland and Labrador which consist of 6,095 (2006 - 6,081) mineral exploration claims covering various areas of Newfoundland and Labrador. The Government of New Brunswick has issued 2 licenses to the Company which cover 151 (2006 - 0) claims in the Dorchester area of New Brunswick. The Company also holds 15 (2006 - 3) mineral exploration claims in Ecuador. A summary of mineral properties is as follows:

Geographical Area	Number of Claims	Balance,	JV Recoveries and Government Properties			Balance,
		Beginning of Period	Additions	Grants	Abandoned	End of Period
		\$	\$	\$	\$	\$
Island of						
Newfoundland	4,688	2,198,979	142,153	(121,685)	-	2,219,447
Labrador	1,407	1,090,801	22,769	-	-	1,113,570
New Brunswick	151	15,173	12,278	-	-	27,451
Ecuador	15	2,318,480	2,124,326	(2,310,723)	-	2,132,083
India	-	244,158	323,303	-	-	567,461
	6,261	5,867,591	2,624,829	(2,432,408)	-	6,060,012

In January 2007 Cornerstone Capital Resources Mauritius Inc. was incorporated in the Republic of Mauritius. In addition, three companies, all subsidiaries of Cornerstone Capital Mauritius Inc., were incorporated in India in January 2007, for possible future exploration activities:

Newfound Exploration Private Limited  
 CCRI Exploration Private Limited  
 Land Minerals Exploration Private Limited

These companies are not currently active.

On January 29, 2007, the Company signed of a Letter of Intent and on April 17, 2007 announced it had signed a definitive joint venture agreement with Cash Minerals Ltd. ("Cash Minerals") on the Company's Aillik uranium property in the Central Mineral Belt (CMB), Labrador. The Company staked the Aillik claims in November 2006 following implementation of the Nunatsiavut land claims agreement. The Aillik property is comprised of 162 claims (40.5 km<sup>2</sup>) adjoining Aurora Energy Resources' holdings in the CMB, an emerging uranium district. The CMB contains several uranium deposits and prospects including the Otter Lake prospect, which lies

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**

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**(Unaudited)**

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**4. MINERAL PROPERTIES (CONTINUED)**

immediately west of the Aillik claims, and the Jacques Lake prospect to the north. The joint venture agreement will give Cash Minerals the right to earn a 51% interest in the Aillik property by spending \$3 million on exploration and paying the Company a total of \$300,000 cash and issuing 300,000 stock warrants to the Company over a four-year period. Cash Minerals will be the operator during the earn-in period.

On February 26, 2007, the Company signed a Letter of Agreement with Mountain Lake Resources Inc. ("Mountain Lake") to conclude a joint venture agreement for exploration of the Company's 100% owned Bobby's Pond property in Central Newfoundland, which comprises 62 claims (15.5 sq km). The joint venture agreement will grant Mountain Lake the right to earn a 51% interest in the property by spending \$2.75 million on exploration over five years. The first year's \$150,000 expenditure is a firm commitment and includes completion of a diamond drilling program. The agreement also calls for Mountain Lake to issue 200,000 common shares to the Company over five years, including 25,000 to be issued on signing of the Letter of Agreement. With an active exploration program already underway on its Bobby's Pond Mining Lease, Mountain Lake will be operator of the joint venture during the earn-in period. On Mountain Lake earning a 51% interest, a joint venture will be formed whereby both parties will have the right to maintain their respective interests by funding their respective share of exploration costs. Under certain conditions Mountain Lake may increase its interest by up to 75%. Either party may dilute its interest, based on exploration expenditures. If either party's interest falls to 10% or less, its interest will convert to a 2% net smelter royalty.

**5. DEFERRED OPTION PAYMENTS**

Various option payments have been received by the Company from joint venture partners, in cash or in shares. The deferred option payments balances and the respective properties are as follows:

	<b>March 31</b>	December 31,
	<b>2007</b>	2006
	\$	\$
Noel Paul's Brook	-	35,000
Cape Ray	<b>38,775</b>	38,775
Ecuador Projects	<b>1,317,966</b>	1,393,520
Long Lake	<b>10,000</b>	10,000
Garland	<b>150,000</b>	50,000
Mountain Lake	<b>16,250</b>	-
Balance	<b>1,532,991</b>	1,527,295

**CORNERSTONE CAPITAL RESOURCES INC.**  
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**6. SHARE CAPITAL**

**Authorized**

An unlimited number of common shares with no par value.

An unlimited number of first preferred and second preferred shares with no par value.

**Issued and outstanding**

	March 31, 2007		December 31, 2006	
	Number of common shares	Stated Value \$	Number of common shares	Stated Value \$
Common shares				
Opening balance	50,009,236	16,412,851	32,937,955	9,801,778
Issued during the period:				
Private placements - non-flow-through shares	-	-	4,088,000	1,563,450
Mineral property acquisitions	203,350	174,465	408,630	203,848
Warrants exercised	-	-	9,823,312	3,878,899
Stock options exercised	250,000	102,000	2,751,339	913,230
Fair value of warrants exercised	-	-	-	196,466
Fair value of options exercised	-	82,327	-	504,169
Other share issuance	100,000 *	-	-	-
Cash received in advance for share issuance	-	-	-	50,000 *
Share issuance costs	-	(8,655)	-	(240,569)
Tax amount of renounced expenditures	-	-	-	(458,420)
<b>Balance</b>	<b>50,562,586</b>	<b>16,762,988</b>	<b>50,009,236</b>	<b>16,412,851</b>

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.

\* On December 28, 2006, the Company received \$50,000 for the issuance of 100,000 common shares. Those shares were subsequently issued on January 4, 2007.

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**

For the three months ended March 31, 2007 and 2006 (unless otherwise noted)  
**(Unaudited)**

**6. SHARE CAPITAL (CONTINUED)**

*Stock Options*

The Company has a 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. Details of the activity of the stock option plan are as follows:

	<u>March 31, 2007</u>		<u>December 31, 2006</u>	
	<u>Number</u>	<u>Weighted-Average Exercise Price</u>	<u>Number</u>	<u>Weighted-Average Exercise Price</u>
Balance, beginning of period	5,700,334	0.44	5,035,388	0.34
Issued during the period				
To company consultants	125,000	0.63	750,000	0.52
To employees, officers and directors	65,000	0.63	3,070,667	0.49
Forfeited during the period	(100,000)	0.46	(404,382)	0.43
Exercised during the period	(250,000)	0.41	(2,751,339)	0.33
<b>Balance, end of period</b>	<b>5,540,334</b>	<b>0.45</b>	<b>5,700,334</b>	<b>0.44</b>

*Warrants*

Warrants have been issued by the Company in the course of issuing shares. Details of activity with respect to warrants issued and outstanding are as follows:

	<u>March 31, 2007</u>			<u>December 31, 2006</u>		
	<u>Number</u>	<u>\$</u>	<u>Weighted-Average Price</u>	<u>Number</u>	<u>\$</u>	<u>Weighted-Average Price</u>
Balance, beginning of period	4,375,000	1,093,750	0.80	10,064,821	201,296	0.40
Expired during the period	-	-	-	(241,509)	(4,830)	0.40
Exercised during the period	-	-	-	(9,823,312)	(196,466)	0.40
Granted in connection with private placements	-	-	-	4,375,000	1,093,750	0.80
<b>Balance, end of period</b>	<b>4,375,000</b>	<b>1,093,750</b>	<b>0.80</b>	<b>4,375,000</b>	<b>1,093,750</b>	<b>0.80</b>

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**

For the three months ended March 31, 2007 and 2006 (unless otherwise noted)  
**(Unaudited)**

**6. SHARE CAPITAL (CONTINUED)**

There were 4,375,000 warrants issued in connection with the May 25, 2006 financing with an exercise price of \$0.80 for one year following closing and \$1.10 for the second year following closing. Each warrant was valued at \$0.25 using the Black Scholes option pricing model.

*Contributed Surplus*

Contributed surplus consists of the following amounts:

	<b>March 31, 2007</b>	December 31, 2006
	<u>\$</u>	<u>\$</u>
Balance, beginning of period	2,115,732	1,584,633
Fair value of options capitalized as part of the cost of mineral properties acquired	-	4,908
Fair value of options expensed as stock based compensation	123,850	1,025,530
Fair value of warrants expired	-	4,830
Fair value of options exercised	(82,327)	(504,169)
<b>Balance, end of period</b>	<b>2,157,255</b>	<b>2,115,732</b>

**7. RELATED PARTY TRANSACTIONS**

The following represents a summary of transactions with parties under common influence and shareholders for the three months ended March 31, 2007 and March 31, 2006, and are recorded at the agreed upon amounts:

	<b>March 31, 2007</b>		
	<u>Expensed during the period</u>	<u>Capitalized in mineral properties</u>	<u>Total</u>
	\$	\$	\$
Professional and administrative fees	124,197	24,525	148,722
Office and warehouse rent	14,128	-	14,128
	<b>138,325</b>	<b>24,525</b>	<b>162,850</b>

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
For the three months ended March 31, 2007 and 2006 (unless otherwise noted)  
**(Unaudited)**

**7. RELATED PARTY TRANSACTIONS (CONTINUED)**

	March 31, 2006		
	Expensed during the period \$	Capitalized in mineral properties \$	Total \$
Professional and administrative fees	68,597	28,462	97,059
Office and warehouse rent	2,469	9,876	12,345
	<u>71,066</u>	<u>38,338</u>	<u>109,404</u>

**8. COMMITMENTS**

- (a) The Company has acquired various properties from third party license holders. The terms of these agreements provide for initial cash payments by the Company and the initial issuance of shares and options in the Company. To retain the interest in these properties the Company is obligated to make additional cash payments and to issue additional shares in the Company. The agreements also provide for the payment of net smelter return royalties to the third parties in the event that a property reaches the commercial production stage.

A summary of the additional cash and additional shares to be issued by the Company, assuming that an interest in all of the properties is to be maintained, is as follows:

	<u>Cash</u>		<u>Shares</u>	
	\$CDN	\$US	#	\$US Equivalent
2007	-	125,000	15,000	125,000
2008	15,000	50,000	15,000	50,000
2009	20,000	50,000	20,000	50,000
2010	30,000	-	30,000	-
2011	40,000	-	40,000	-
	<u>\$ 105,000</u>	<u>\$ 225,000</u>	<u>120,000</u>	<u>\$ 225,000</u>

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**

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**(Unaudited)**

**8. COMMITMENTS (CONTINUED)**

A portion of these cash and share payments will be reimbursed to the Company by Coastport Capital Inc. under the La Plata and Shyri Agreements. These amounts are as follows: Cash - \$US 225,000, \$US Equivalent Shares – 225,000.

- (b) Minimum annual lease payments on vehicle and equipment leases during the next three years are as follows:

	\$
2007	16,760
2008	19,113
2009	15,549

**9. SUPPLEMENTAL CASH FLOW INFORMATION**

	<b>March 31, 2007</b>	March 31, 2006
	\$	\$
Operating Activities		
Receipt of marketable securities in settlement of accounts receivable	<b>(208,799)</b>	-
Non-cash investing activities		
Issue of stock options as consideration for acquisition of interest in mineral properties	-	(3,861)
Reduction of mineral properties due to forfeiture of deferred option payments	<b>35,000</b>	-
	<b>35,000</b>	(3,861)
Non-cash financing activities		
Acquisition of mineral properties for share consideration	<b>(174,465)</b>	-
Issue of common shares for consideration on accounts payable and accrued liabilities	-	157,075
Fair value of options exercised	<b>82,327</b>	-
Receipt of marketable securities as consideration for deferred option payments	<b>59,303</b>	-
	<b>(32,835)</b>	157,075
Taxes paid	<b>779</b>	447
Interest paid	<b>174</b>	124

# **CORNERSTONE CAPITAL RESOURCES INC.**

## **Notes to the Consolidated Financial Statements**

For the three months ended March 31, 2007 and 2006 (unless otherwise noted)  
**(Unaudited)**

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### **10. FINANCIAL INSTRUMENTS**

#### *Fair value*

The carrying values of the Company's monetary assets and liabilities approximate fair value due to the short terms to maturity of those instruments. Deferred option payments approximate fair value as payments recorded are either cash or shares.

#### *Foreign exchange risk*

The Company undertakes certain transactions in foreign currencies and as such is subject to risk due to fluctuations in exchange rates. The company does not use derivative instruments or hedges to reduce the exposure to foreign exchange risk.

#### *Credit risk*

The Company has credit risk associated with the accounts receivable for the option agreements with joint venture partners. This risk is mitigated however by the fact that the joint venture partners cannot earn in until all the required payments have been made to the Company.

### **11. SUBSEQUENT EVENT**

On May 1, 2007 the Company and Thundermin Resources Inc. ("Thundermin") (collectively, the "LDJV") have signed a Letter of Intent ("LOI") with Weyburn Investments Ltd. ("Weyburn") which gives the LDJV an option to acquire a 100% interest in the past-producing Little Deer copper deposit and adjacent property (the "Weyburn Property") located 10 km north of Springdale in north-central Newfoundland.

The Weyburn property consists of 78 claims (1950 ha) comprising the Little Deer and Duck Pond Mineral Licenses (10215M and 10214M), which cover the past-producing Little Deer copper deposit and potential southwest extensions near Duck Pond, plus four additional Mineral Licenses located east of the Little Deer License. In addition to the Weyburn Property, the LDJV also holds the Company's 232 claim mineral license 12196M (5,800 ha) which essentially surrounds the Little Deer and Duck Pond licenses on three sides and covers a gap that exists between these two licenses (collectively the "LDJV Property").

Upon completion of the definitive option agreement between the LDJV and Weyburn (the "Agreement"), the LDJV intends to commence an aggressive exploration program on the Little Deer property. This work will consist of diamond drilling, borehole geophysical and geological mapping surveys and grid reconstruction. Final details of this program will be announced upon completion of the Agreement which is anticipated to be before the end of May.

**CORNERSTONE CAPITAL RESOURCES INC.**  
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**(Unaudited)**

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**11. SUBSEQUENT EVENT (CONTINUED)**

Under the terms of the LOI with Weyburn, the LDJV has an option to acquire a 100% interest in the Weyburn Property by making the following option payments in cash and/or shares of equal value in each of Thundermin and Cornerstone, at each of Thundermin's and Cornerstone's respective election: CDN \$170,000 upon the execution and delivery of the Agreement (the "First Payment"); \$115,000 on or before the 2nd anniversary of the Agreement (the "Second Payment"); \$200,000 on or before the 3rd anniversary of the Agreement (the "Third Payment")(should the LDJV make the second payment, then the third Payment becomes a commitment of the LDJV); and an amount on or before the 4th anniversary of the Agreement (the "Buyout Amount") depending on the size of the mineral resource defined on the Weyburn Property (the "Buyout Mineral Resource"). The Buyout Amount will commence at \$1,500,000 for a deposit of < 4,500,000 tonnes ("t") and range up to \$5,000,000 for a deposit of 10,000,000 t. The LDJV will pay to Weyburn an additional \$250,000 for each additional 500,000 t of Buyout Mineral Resource in excess of 10,000,000 t. All tonnes not paid for as at the date the Buyout Amount is determined will be paid for on the basis of tonnes mined and milled in the future.

The LDJV is committed to spend a minimum of \$850,000 on the Weyburn Property on or before the second anniversary of the Agreement, a minimum of \$500,000 of which shall be spent on or before the first anniversary of the Agreement. All additional expenditures on the Weyburn Property above the \$850,000 commitment are at the LDJV's sole option and discretion. Subject to the LDJV making the Second Payment, the making of any option payments beyond what is due to Weyburn upon the execution and delivery of the Agreement, including the payment of the Buyout Amount, is at the LDJV's sole option and discretion.

The LDJV will be responsible for the payment of a 2% net smelter returns royalty ("NSR") payable to a third party on the Little Deer License, 50% of which can be repurchased for \$1,000,000, and the payment of a 3% NSR to third parties on the Duck Pond License. Should the LDJV place into production an orebody discovered on Mineral Licenses 11043M, 11184M, 11187M or 11237M, the LDJV is to pay a 1.5% NSR royalty to Weyburn, 50% of which can be repurchased by the LDJV for \$1,000,000.

The LDJV will be a 50/50 joint venture between Thundermin and the Company with Thundermin as operator. Once the LDJV has acquired sufficient exploration drill data to prepare a Mineral Resource Report, Thundermin, at its sole discretion and cost, has the right to carry out a detailed study to determine the economic viability of putting the resources that are the subject of the Mineral Resource Report into commercial production (the "Feasibility Study"). By unilaterally electing to bear the cost of the Feasibility Study, Thundermin will earn an additional 15% undivided interest in the LDJV. Thundermin shall have the further right to increase its undivided interest in the LDJV by an additional 10% by arranging 100% of the necessary bank financing required to place the mineral resource that was the subject of the Feasibility Study into commercial production.

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
For the three months ended March 31, 2007 and 2006 (unless otherwise noted)  
**(Unaudited)**

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**12. COMPARATIVE INFORMATION**

The 2006 consolidated statement of loss and deficit has been reclassified to conform with the new condensed version used in the current period.