



Consolidated Financial Statements of

**CORNERSTONE CAPITAL
RESOURCES INC.**

*For the three months and six months ended
June 30, 2007 and 2006*

CORNERSTONE CAPITAL RESOURCES INC.

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

	For the three months ended June 30, 2007	For the three months ended June 30, 2006	For the six months ended June 30, 2007	For the six months ended June 30, 2006
	\$	\$	\$	\$
REVENUE				
Investment income	32,432	20,961	79,044	20,961
Other income	17,250	94	34,980	35,671
	49,682	21,055	114,024	56,632
EXPENSES				
General and administrative	518,098	338,239	924,926	722,274
Stock-based compensation	626,877	490,426	750,727	560,178
Foreign exchange loss	54,345	15,470	87,241	15,470
Amortization	12,664	6,133	24,156	12,267
Interest and bank charges	1,666	2,447	3,093	4,509
	1,213,650	852,715	1,790,143	1,314,698
NET LOSS FOR THE PERIOD	(1,163,968)	(831,660)	(1,676,119)	(1,258,066)
DEFICIT, BEGINNING OF PERIOD	(8,626,628)	(5,292,520)	(8,114,477)	(4,866,114)
DEFICIT, END OF PERIOD	(9,790,596)	(6,124,180)	(9,790,596)	(6,124,180)
LOSS PER SHARE - BASIC AND DILUTED	(0.02)	(0.02)	(0.03)	(0.03)
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED				
	50,598,048	40,784,281	50,449,118	37,140,191

See accompanying notes to the consolidated financial statements

CORNERSTONE CAPITAL RESOURCES INC.

Consolidated Balance Sheets

(Unaudited)

	As at June 30, 2007	As at December 31, 2006
	\$	\$
ASSETS		
CURRENT		
Cash and cash equivalents	3,746,362	5,793,498
Marketable securities, at market value	414,733	710,554
Accounts receivable	911,902	1,802,845
Refundable staking deposits	111,904	36,750
Prepaid expenses	71,363	69,116
	5,256,264	8,412,763
MINERAL PROPERTIES (Note 4)	6,944,666	5,867,591
CAPITAL ASSETS	380,838	228,411
	12,581,768	14,508,765
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	582,375	1,461,629
Demand bank loan	10,455	11,985
	592,830	1,473,614
DEFERRED OPTION PAYMENTS (Note 5)	1,544,216	1,527,295
	2,137,046	3,000,909
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	16,837,338	16,412,851
Warrants (Note 6)	1,093,750	1,093,750
Contributed surplus (Note 6)	2,749,547	2,115,732
Deficit	(9,790,596)	(8,114,477)
Accumulated other comprehensive income (loss) (Note 2)	(445,317)	-
	10,444,722	11,507,856
	12,581,768	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)

	For the three months ended June 30, 2007	For the three months ended June 30, 2006	For the six months ended June 30, 2007	For the six months ended June 30, 2006
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(1,163,968)	(831,660)	(1,676,119)	(1,258,066)
Items not affecting cash:				
Amortization of capital assets	12,664	6,133	24,156	12,267
Fair value of stock-based compensation	626,877	490,426	750,727	560,178
Changes in non-cash operating working capital	292,102	(1,210,390)	(274,513)	(1,162,453)
	(232,325)	(1,545,491)	(1,175,749)	(1,848,074)
INVESTING ACTIVITIES				
Mineral properties expenditures - net	(913,979)	(41,780)	(966,935)	(544,106)
Purchase of capital assets	(156,620)	(10,574)	(176,583)	(21,428)
	(1,070,599)	(52,354)	(1,143,518)	(565,534)
FINANCING ACTIVITIES				
Repayments of demand bank loan	(765)	-	(1,530)	-
Proceeds from deferred option payments	50,000	680,798	150,000	740,804
Proceeds from issuance of share capital - net	30,316	6,219,699	123,661	6,903,331
	79,551	6,900,497	272,131	7,644,135
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,223,373)	5,302,652	(2,047,136)	5,230,527
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,969,735	1,524,005	5,793,498	1,596,130
CASH AND CASH EQUIVALENTS, END OF PERIOD	3,746,362	6,826,657	3,746,362	6,826,657
COMPRISED OF : Bank deposits and cash on hand	1,599,182	813,463	1,599,182	813,463
Bank guaranteed investment certificates	2,147,180	6,013,194	2,147,180	6,013,194
	3,746,362	6,826,657	3,746,362	6,826,657

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)

	For the three months ended June 30, 2007	For the three months ended June 30, 2006	For the six months ended June 30, 2007	For the six months ended June 30, 2006
	\$	\$	\$	\$
NET LOSS	(1,163,968)	(831,660)	(1,676,119)	(1,258,066)
OTHER COMPREHENSIVE INCOME (LOSS)				
Loss in fair value of marketable securities	(136,726)	-	(445,317)	-
COMPREHENSIVE INCOME (LOSS)	(1,300,694)	(831,660)	(2,121,436)	(1,258,066)

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

	For the six months ended June 30, 2007	For the six months ended June 30, 2006
	\$	\$
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), BEGINNING OF PERIOD	-	-
OTHER COMPREHENSIVE INCOME (LOSS)	(445,317)	-
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), END OF PERIOD	(445,317)	-

See accompanying notes to the consolidated financial statements

CORNERSTONE CAPITAL RESOURCES INC.
Notes to the Consolidated Financial Statements
For the three months and six months ended June 30, 2007 and 2006
(Unaudited)

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 January 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.

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

CORNERSTONE CAPITAL RESOURCES INC.
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2. CHANGE IN ACCOUNTING POLICY (CONTINUED)

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., La Plata Minerales S.A., Cornerstone Capital Resources Mauritius Inc., Newfoundland Exploration Private Limited, CCRI Exploration Private Limited and Land Minerals Exploration Private Limited.

4. MINERAL PROPERTIES

As at June 30, 2007, the Company has been issued 75 (2006 - 69) licenses by the Government of Newfoundland and Labrador which consist of 6,139 (2006 - 6,081) mineral exploration claims covering various areas of Newfoundland and Labrador. The Government of New Brunswick has issued 3 licenses to the Company which cover 384 (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:

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(Unaudited)

4. MINERAL PROPERTIES (CONTINUED)

Geographical Area	Number of Claims	Balance,	JV Recoveries and Government Properties			Balance,	December 31, 2006
		Beginning of Period	Additions	Grants	Abandoned	End of Period	
		\$	\$	\$	\$	\$	\$
Island of							
Newfoundland	4,822	2,198,979	403,398	(160,460)	-	2,441,917	2,198,979
Labrador	1,407	1,090,801	70,987	-	-	1,161,788	1,090,801
New Brunswick	384	15,173	118,644	(47,196)	-	86,621	15,173
Ecuador	15	2,318,480	3,626,671	(3,516,619)	-	2,428,532	2,318,480
India	-	244,158	581,650	-	-	825,808	244,158
	6,628	5,867,591	4,801,350	(3,724,275)	-	6,944,666	5,867,591

In January 2007 Cornerstone Capital Resources Mauritius Inc. was incorporated in the Republic of Mauritius. In addition, three companies, all subsidiaries of Cornerstone Capital Resources 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 km²) 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 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

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4. MINERAL PROPERTIES (CONTINUED)

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.

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"). The LDJV has commenced an exploration program on the Little Deer property, consisting of diamond drilling, borehole geophysical and geological mapping surveys and grid reconstruction. 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 has agreed 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. 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 to Weyburn, 50% of which can be repurchased by the LDJV for \$1,000,000. By unilaterally electing to bear the cost of a future 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

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4. MINERAL PROPERTIES (CONTINUED)

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.

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:

	June 30, 2007	December 31, 2006
	\$	\$
Noel Paul's Brook	-	35,000
Cape Ray	-	38,775
Ecuador Projects	1,317,966	1,393,520
Long Lake	10,000	10,000
Garland	150,000	50,000
Mountain Lake	16,250	-
Cash Minerals	50,000	-
Balance, end of period	1,544,216	1,527,295

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.

CORNERSTONE CAPITAL RESOURCES INC.
Notes to the Consolidated Financial Statements
For the three months and six months ended June 30, 2007 and 2006
(Unaudited)

6. SHARE CAPITAL (CONTINUED)

Common Shares - Issued and outstanding

	June 30, 2007		December 31, 2006	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Common Shares	50,686,586	16,837,338	50,009,236	16,412,851

Common Shares issued during the period were as follows:

	For the three months ended June 30, 2007		For the six months ended June 30, 2007	
	Number of common shares	Stated Value \$	Number of common shares	Stated Value \$
Opening balance	50,562,586	16,762,988	50,009,236	16,412,851
Mineral property acquisitions	15,000	9,450	218,350	183,915
Stock options exercised	109,000	36,300	359,000	138,300
Fair value of stock options exercised	-	34,584	-	116,911
Other share issuance	-	-	100,000	-
Share issuance costs	-	(5,984)	-	(14,639)
Ending balance	50,686,586	16,837,338	50,686,586	16,837,338

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.

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Notes to the Consolidated Financial Statements
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(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:

	For the three months ended June 30, 2007		For the six months ended June 30, 2007	
	Number	Weighted- Average Exercise Price	Number	Weighted- Average Exercise Price
Balance, beginning of period	5,540,334	0.45	5,700,334	0.44
Issued during the period				
To company consultants	500,000	0.64	625,000	0.64
To employees, officers and directors	3,480,000	0.64	3,545,000	0.64
Forfeited during the period	-	-	(100,000)	0.46
Exercised during the period	(109,000)	0.33	(359,000)	0.39
Balance, end of period	9,411,334	0.53	9,411,334	0.53

Warrants

Warrants have been issued by the Company in the course of issuing shares. No activity with respect to warrants has occurred during the six months ended June 30, 2007. Outstanding warrants at June 30, 2007 are as follows:

	Number	\$	Weighted- Average Price
Balance June 30, 2007	4,375,000	1,093,750	0.80

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6. SHARE CAPITAL (CONTINUED)

These warrants were issued in connection with a May 25, 2006 financing and had an exercise price of \$0.80 for one year following closing and are still exercisable at \$1.10 until May 25, 2008. Each warrant was valued at \$0.25 using the Black Scholes option pricing model.

Contributed Surplus

Contributed surplus consists of the following amounts:

	For the three months ended June 30, 2007	For the six months ended June 30, 2007
	\$	\$
Balance, beginning of period	2,157,255	2,115,732
Fair value of options expensed as stock based compensation	626,876	750,726
Fair value of options exercised	(34,584)	(116,911)
Balance, end of period	<u>2,749,547</u>	<u>2,749,547</u>

7. RELATED PARTY TRANSACTIONS

The following represents a summary of transactions with parties under common influence and shareholders for the three months and six months ended June 30, 2007 and June 30, 2006, and are recorded at the agreed upon amounts:

	Three months ended June 30, 2007			Three months ended June 30, 2006
	Expensed during the period	Capitalized in mineral properties	Total	
	\$	\$	\$	\$
Professional and administrative fees	109,376	2,400	111,776	105,653
Office and warehouse rent	14,127	-	14,127	12,345
	<u>123,503</u>	<u>2,400</u>	<u>125,903</u>	<u>117,998</u>

CORNERSTONE CAPITAL RESOURCES INC.
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7. RELATED PARTY TRANSACTIONS (CONTINUED)

	Six months ended June 30, 2007			Six months ended June 30, 2006
	Expensed during the period	Capitalized in mineral properties	Total	
	\$	\$	\$	\$
Professional and administrative fees	233,573	26,925	260,498	202,712
Office and warehouse rent	28,255	-	28,255	24,690
	261,828	26,925	288,753	227,402

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:

	Cash		Shares	
	\$CDN	\$US	#	\$US Equivalent
2007	-	125,000	-	125,000
2008	15,000	50,000	15,000	50,000
2009	77,500	50,000	20,000	50,000
2010	130,000	-	30,000	-
2011	40,000	-	40,000	-
	262,500	225,000	105,000	225,000

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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 is as follows:

	\$
2007	10,118
2008	19,113
2009	15,549

9. SUPPLEMENTAL CASH FLOW INFORMATION

	For the three months ended June 30, 2007	For the three months ended June 30, 2006	For the six months ended June 30, 2007	For the six months ended June 30, 2006
Operating Activities				
Receipt of marketable securities in settlement of accounts receivable	\$ -	\$ -	\$ (208,799)	\$ -
Non-cash investing activities				
Issue of stock options as consideration for interest in mineral properties	-	(1,047)	-	(4,908)
Reduction of mineral properties due to forfeiture of deferred option payments	38,775	-	73,775	-
	38,775	(1,047)	73,775	(4,908)
Non-cash financing activities				
Shares issued for acquisition of mineral property	(9,450)	-	(183,915)	-
Fair value of options exercised	34,584	-	116,911	-
Receipt of marketable securities as consideration for deferred option payments	-	-	59,303	-
	25,134	-	(7,701)	-
Taxes paid	-	-	779	447
Interest paid	163	320	337	593

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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. 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.