



*Consolidated Financial Statements of  
Cornerstone Capital Resources Inc.*

*For the three months and six months ended  
June 30, 2008 and 2007*

# **CORNERSTONE CAPITAL RESOURCES INC.**

## **Table of Contents**

	<u>PAGE</u>
Consolidated Statements of Loss and Deficit	2
Consolidated Balance Sheets	3
Consolidated Statements of Cash Flows	4
Consolidated Statements of Comprehensive Loss	5
Consolidated Statements of Accumulated Other Comprehensive Loss	5
Notes to the Consolidated Financial Statements	6 - 18

**CORNERSTONE CAPITAL RESOURCES INC.**

**Consolidated Statements of Loss and Deficit**

(Unaudited)

	<b>For the three months ended June 30, 2008</b>	For the three months ended June 30, 2007	<b>For the six months ended June 30, 2008</b>	For the six months ended June 30, 2007
	\$	\$	\$	\$
<b>REVENUE</b>				
Investment income	<b>27,664</b>	32,432	<b>60,239</b>	79,044
Option payments forfeited by joint venture partners	-	-	<b>32,165</b>	-
Other income	<b>14,767</b>	17,250	<b>31,684</b>	34,980
	<b>42,431</b>	49,682	<b>124,088</b>	114,024
<b>EXPENSES</b>				
General and administrative	<b>674,940</b>	518,098	<b>1,297,017</b>	924,926
Stock-based compensation	<b>124,541</b>	626,877	<b>222,186</b>	750,727
Amortization	<b>39,727</b>	12,664	<b>72,632</b>	24,156
Foreign exchange loss (gain)	<b>4,698</b>	54,345	<b>(14,033)</b>	87,241
Unrealized loss on fair value of share purchase warrants	<b>1,556</b>	-	<b>31,830</b>	-
Mineral property costs abandoned	-	-	<b>13,274</b>	-
Interest and bank charges	<b>1,600</b>	1,666	<b>3,080</b>	3,093
	<b>847,062</b>	1,213,650	<b>1,625,986</b>	1,790,143
<b>NET LOSS FOR THE PERIOD</b>	<b>(804,631)</b>	(1,163,968)	<b>(1,501,898)</b>	(1,676,119)
<b>DEFICIT, BEGINNING OF PERIOD</b>	<b>(13,119,465)</b>	(8,626,628)	<b>(12,422,198)</b>	(8,114,477)
<b>DEFICIT, END OF PERIOD</b>	<b>(13,924,096)</b>	(9,790,596)	<b>(13,924,096)</b>	(9,790,596)
<b>LOSS PER SHARE - BASIC AND DILUTED</b>	<b>(0.01)</b>	(0.02)	<b>(0.02)</b>	(0.03)
<b>WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED</b>				
	<b>62,455,063</b>	50,598,048	<b>60,221,047</b>	50,449,118

See accompanying notes to the consolidated financial statements

# CORNERSTONE CAPITAL RESOURCES INC.

## Consolidated Balance Sheets

(Unaudited)

	As at June 30, 2008	As at December 31, 2007
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	4,411,306	3,721,802
Marketable securities, at market value	308,349	245,704
Accounts receivable	395,054	644,574
Refundable staking deposits	238,189	215,443
Prepaid expenses	97,104	66,678
	<b>5,450,002</b>	4,894,201
MINERAL PROPERTIES (Note 6)	9,905,508	7,968,640
<b>CAPITAL ASSETS</b>	<b>495,404</b>	487,624
	<b>15,850,914</b>	13,350,465
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	980,096	1,187,168
DEFERRED OPTION PAYMENTS (Note 7)	788,265	864,206
	<b>1,768,361</b>	2,051,374
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 8)	21,858,242	19,194,986
Warrants (Note 8)	2,440,876	2,030,950
Contributed surplus (Note 8)	4,423,625	3,109,699
Deficit	(13,924,096)	(12,422,198)
Accumulated other comprehensive loss	(716,094)	(614,346)
	<b>14,082,553</b>	11,299,091
	<b>15,850,914</b>	13,350,465

### BASIS OF PRESENTATION (Note 1)

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 June 30, 2008</b>	For the three months ended June 30, 2007	<b>For the six months ended June 30, 2008</b>	For the six months ended June 30, 2007
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net loss	<b>(804,631)</b>	(1,163,968)	<b>(1,501,898)</b>	(1,676,119)
Items not affecting cash:				
Option payments forfeited by joint venture partners	-	-	<b>(32,165)</b>	-
Amortization	<b>39,727</b>	12,664	<b>72,632</b>	24,156
Mineral property costs abandoned	-	-	<b>13,274</b>	-
Unrealized loss on fair value of share purchase warrants	<b>1,556</b>	-	<b>31,830</b>	-
Stock-based compensation	<b>124,541</b>	626,877	<b>222,186</b>	750,727
Changes in non-cash operating working capital	<b>(81,155)</b>	292,102	<b>(156,301)</b>	(274,513)
	<b>(719,962)</b>	(232,325)	<b>(1,350,442)</b>	(1,175,749)
<b>INVESTING ACTIVITIES</b>				
Mineral properties expenditures - net	<b>(809,138)</b>	(913,979)	<b>(1,827,271)</b>	(966,935)
Purchase of capital assets	<b>(41,642)</b>	(156,620)	<b>(80,412)</b>	(176,583)
	<b>(850,780)</b>	(1,070,599)	<b>(1,907,683)</b>	(1,143,518)
<b>FINANCING ACTIVITIES</b>				
Proceeds from issuance of share capital - net	<b>1,738,161</b>	30,316	<b>2,393,953</b>	123,661
Proceeds from issuance of warrants - net	<b>1,178,375</b>	-	<b>1,503,676</b>	-
Repayments of demand bank loan	-	(765)	-	(1,530)
Proceeds from deferred option payments	-	50,000	<b>50,000</b>	150,000
	<b>2,916,536</b>	79,551	<b>3,947,629</b>	272,131
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,345,794</b>	(1,223,373)	<b>689,504</b>	(2,047,136)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>3,065,512</b>	4,969,735	<b>3,721,802</b>	5,793,498
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>4,411,306</b>	3,746,362	<b>4,411,306</b>	3,746,362
<b>COMPRISED OF :</b> Bank deposits and cash on hand	<b>750,525</b>	1,599,182	<b>750,525</b>	1,599,182
Bank guaranteed investment certificates	<b>3,660,781</b>	2,147,180	<b>3,660,781</b>	2,147,180
	<b>4,411,306</b>	3,746,362	<b>4,411,306</b>	3,746,362

SUPPLEMENTAL CASH FLOW INFORMATION (NOTE 10)

See accompanying notes to the consolidated financial statements

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

	<b>For the three months ended June 30, 2008</b>	For the three months ended June 30, 2007	<b>For the six months ended June 30, 2008</b>	For the six months ended June 30, 2007
	\$	\$	\$	\$
NET LOSS	<b>(804,631)</b>	(1,163,968)	<b>(1,501,898)</b>	(1,676,119)
OTHER COMPREHENSIVE LOSS				
Unrealized loss on fair value of marketable securities (net of tax of nil)	<b>(14,742)</b>	(136,726)	<b>(101,748)</b>	(445,317)
<b>COMPREHENSIVE LOSS</b>	<b>(819,373)</b>	(1,300,694)	<b>(1,603,646)</b>	(2,121,436)

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

	<b>As at June 30, 2008</b>	As at December 31, 2007
	\$	\$
ACCUMULATED OTHER COMPREHENSIVE LOSS, BEGINNING OF PERIOD	<b>(614,346)</b>	-
OTHER COMPREHENSIVE LOSS	<b>(101,748)</b>	(614,346)
<b>ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF PERIOD</b>	<b>(716,094)</b>	(614,346)

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, 2008 and 2007**  
**(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, 2007, 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, 2007.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The success of the Company and the recoverability of exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to find and complete the development of such reserves, the ability of the Company to satisfy obligations as they come due and upon future profitable production from the properties or proceeds from disposition. The amounts shown as deferred exploration costs represent net costs to date less write offs and do not necessarily represent present or future values. At June 30, 2008, the Company had an accumulated deficit of \$ 13,924,096 (December 31, 2007 - \$ 12,422,198).

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.

If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary in the carrying value of assets and liabilities, the reported net loss and the balance sheet classifications used.

**2. CHANGE IN ACCOUNTING POLICY**

On January 1, 2008, the Company adopted applicable accounting standard changes issued by the Canadian Institute of Chartered Accountants (“CICA”) that effect reporting periods ending June 30, 2008. The Company adopted changes as follows: amendments to Handbook Section 1400 General Standards of Financial Statement Presentation, (“Section 1400”), as well as new presentation and disclosure standards for: Capital Disclosures (“Section 1535”), Financial Instruments – Disclosures (“Section 3862”), and Financial Instruments – Presentation (“Section 3863”).

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three months and six months ended June 30, 2008 and 2007**  
**(Unaudited)**

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

**General Standards of Financial Statement Presentation**

The Company has adopted amendments to Section 1400, General Standards of Financial Statement Presentation, which include requirements to assess and disclose an entity's ability to continue as a going concern. The requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company monitors its ability to continue operating on an ongoing basis. The adoption of the changes to Section 1400 has no impact on the Company's financial statements. See also Note 1.

**Capital Disclosures**

Handbook section 1535, Capital Disclosures, establishes disclosure requirements regarding an entity's capital, including (i) an entity's objectives, policies and processes of managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any externally imposed capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The adoption of this standard had no effect on the Company's financial position, operations or cash flows. The Company has included disclosures recommended by the new Handbook section in Note 4 to these unaudited interim consolidated financial statements.

**Financial Instruments**

Effective January 1, 2008, the Company adopted the new recommendations of CICA Handbook Section 3862, Financial Instruments – Disclosures and Handbook Section 3863, Financial Instruments – Presentation. Handbook Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position and its performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Handbook Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equities, the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and financial liabilities are offset. The adoption of these standards did not have any impact on the classification and valuation of the Company's financial instruments. The Company has included disclosures recommended by these new Handbook Sections in Note 5 to these unaudited interim consolidated financial statements.

**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. All inter-company transactions and balances have been eliminated upon consolidation.

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three months and six months ended June 30, 2008 and 2007**  
**(Unaudited)**

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**4. CAPITAL MANAGEMENT**

The capital structure of the Company consists of capital and equity comprised of share capital, warrants, contributed surplus and deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. In addition, the Company holds shares in several companies, which will also assist the Company to carry out significant exploration programs and fund administrative costs. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis. The Company is not subject to externally imposed capital requirements.

**5. FINANCIAL RISK FACTORS**

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

**Credit risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to accounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in the accounts receivable is remote.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. As at June 30, 2008, the Company had a cash balance of \$4,411,306 (December 31, 2007 - \$ 3,721,802) to settle current liabilities of \$980,096 (December 31, 2007 - \$1,187,168). To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through equity, debt or partnering transactions. All of the Company's financial liabilities are short-term in nature and are subject to normal trade terms. The Company has no source of operating cash flow to fund its exploration and development projects. Any further significant work would likely require additional equity or debt financing. The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to fulfill its obligations on existing or future exploration projects. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration.

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three months and six months ended June 30, 2008 and 2007**  
**(Unaudited)**

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**5. FINANCIAL RISK FACTORS (Continued)**

**Market risk**

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

(a) Interest rate risk – The Company has cash balances and no variable interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. As of June 30, 2008, the Company's investments in such short-term deposits had interest rates locked in for the entire term of the investment, which is redeemable at any time without penalty or loss of interest. The Company is satisfied with the credit ratings of its banks. The Company believes that its interest rate risk is not significant.

(b) 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.

(c) Foreign exchange risk - The Company transacts certain business in U.S. Dollars, and therefore is subject to foreign exchange risk on U.S. dollar accounts receivables, accounts payable 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.

**Sensitivity analysis**

The Company has share investments in the following companies: Coastport Capital Inc., Mountain Lake Resources Inc., Thundermin Resources Inc., Moydow Mines International Inc, and share purchase warrants in Cash Minerals Ltd. All these companies are listed on either the Toronto Stock Exchange or the Toronto Venture Stock Exchange. Share investments are classified by the Company as "available-for-sale" and are measured at fair value. The warrants are classified as "held-for-trading" and are also measured at fair value. Changes in fair value of share investments are recognized in other comprehensive loss for the period until their disposition, at which time they are transferred to net loss. Changes in fair value of warrant investments are recognized in net loss for the period. Investments in securities having quoted market values and which are publicly traded on a recognized securities exchange and for which no sales restrictions apply, are recorded at values based on the current closing price. Changes in closing prices of these securities have an impact on the Company's income. While the share purchase warrants of Cash Minerals Ltd. do not have a quoted market value, the underlying share price does. Through the use of the Black-Scholes pricing model, the Company is able to approximate the fair value of these warrants.

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three months and six months ended June 30, 2008 and 2007**  
**(Unaudited)**

**5. FINANCIAL RISK FACTORS (Continued)**

The carrying amount of cash, accounts receivables, refundable staking deposits, accounts payable and accrued liabilities approximate fair value due to their short-term nature.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" during the third quarter of 2008: the Company's investments in publicly traded companies, including the share purchase warrants, as outlined above, are denominated in Canadian dollars. Based on the movements in these share prices during the second quarter of 2008, a similar movement in the third quarter of 2008 would increase comprehensive loss by \$7,371 and increase net loss by \$2,844.

**6. MINERAL PROPERTIES**

As at June 30, 2008, the Company has been issued 106 (2007 - 75) licenses by the Government of Newfoundland and Labrador which consist of 8,198 (2007 - 6,139) mineral exploration claims covering various areas of Newfoundland and Labrador. The Government of New Brunswick has issued 12 (2007 - 3) licenses to the Company which cover 1,948 (2007 - 384) claims in New Brunswick. The Company also holds 31 (2007 - 15) 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,	December 31 2007
		Beginning of Period	Additions	Grants	Abandoned	End of Period	
		\$	\$	\$	\$	\$	\$
Island of							
Newfoundland	4,166	2,932,239	656,697	(117,835)	(13,274)	3,457,827	2,932,239
Labrador	4,032	2,020,950	343,143	(7,952)	-	2,356,141	2,020,950
New Brunswick	1,948	163,258	220,101	(26,588)	-	356,771	163,258
Ecuador	31	2,852,193	1,275,645	(393,069)	-	3,734,769	2,852,193
	10,177	7,968,640	2,495,586	(545,444)	(13,274)	9,905,508	7,968,640

On February 12, 2008, the Company signed a definitive Earn-in Joint Venture option agreement with Newmont Ventures Limited ("Newmont"), a subsidiary of Newmont Mining Corporation with respect to the formation of a regional exploration alliance ("Alliance") to explore for gold in southern Ecuador. The Alliance will cover an area of approximately 1800 km<sup>2</sup> in Southern Ecuador. Alliance funding included a US\$1,000,000 private placement in the Company by Newmont at a fixed share purchase price of CAN\$0.83. Up to US\$4,000,000 in exploration expenditures will be made in two stages over 6 years if Newmont elects to earn-in. The Company will operate the initial phase of the program. The first year budget of approximately US\$1,000,000 will be funded by the Company out of the private placement proceeds. Under the Alliance agreement, Newmont may elect at its discretion, to exercise its right to earn an undivided 51% participating interest in the

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three months and six months ended June 30, 2008 and 2007**  
**(Unaudited)**

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**6. MINERAL PROPERTIES (Continued)**

property within the area of interest by spending US\$3,000,000 on exploration over 4 years. Newmont may earn an additional 12.5% interest by solely funding a positive feasibility study and earn a further 11.5% by arranging mine financing.

On March 11, 2008, Celtic Minerals Ltd. ("Celtic") gave notice that they would not be continuing with the March 24, 2006 joint venture agreement on the Company's Garland nickel property in Labrador. The Company is seeking a new joint venture partner for this project.

On April 18, 2008, the Constituent Assembly of the Government of Ecuador placed a moratorium on all exploration and mineral development activities in the country for up to 180 days while it finalizes its new mining law. The outcome of this new law is uncertain, and the Company has had to reduce operations in Ecuador to a minimum. At this time, the Company is uncertain of the outcome or future of the activities in Ecuador, however, believes it is premature to recognize any impairment in its Ecuador-related assets. The Company will continue to work with its joint venture partners and the government of Ecuador to help develop a new framework for responsible mining. The Company will continue to assess the value of its Ecuador-related assets and investments on an ongoing basis. On April 30, 2008, in consultation with its joint venture partners, Coastport Capital and Newmont Ventures, the Company has provided notice of *force majeure* on the Shyri and Macara Projects in Ecuador. The declaration of *force majeure* is a legal requirement under the terms of the agreements in order to suspend exploration work and expenditures during the moratorium. The partners will continue to work together to understand the impact of the mining mandate on their plans for the Shyri and Macara projects. At June 30, 2008 the Company has not recognized any impairment in either its Ecuadorian Mineral Properties or its investments in marketable securities related to the Ecuador projects, as the potential outcome of the situation is still uncertain and the Company believes it is premature to adjust the values of these assets.

On June 11, 2008, the Company signed a joint venture agreement with Altius Resources Inc. ("Altius") to explore primarily for Sediment-hosted Stratiform Copper (SSC) deposits in the Labrador Trough of western Labrador and southeastern Quebec. The 50-50 Joint Venture will cover 51 mineral exploration licenses totaling 1032 km<sup>2</sup> in the province of Newfoundland and Labrador. Both companies contribute their respective mineral land holdings and have conjointly staked additional claims. Both companies will contribute equally to fund exploration programs. The first year program includes an airborne magnetics and radiometrics survey and a two month field program. The Company is the project operator. The companies are soliciting expressions of interest from major mining companies as prospective joint venture partners to undertake exploration on this property.

On June 30, 2008, Phelps Dodge Corporation of Canada, Limited advised the Company that it is withdrawing from the Dorchester, New Brunswick project. The Company is evaluating the project in order to decide whether it will continue exploration activity on its own or seek another joint venture project. Deferred option payments received for this project have been reclassified as a reduction of mineral properties.

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
For the three months and six months ended June 30, 2008 and 2007  
(Unaudited)

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**7. 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>June 30, 2008</b>	December 31, 2007
	\$	\$
Ecuador Projects	<b>611,369</b>	611,369
Long Lake, Newfoundland	<b>10,000</b>	10,000
Garland, Labrador	-	150,000
Bobby's Pond, Newfoundland	<b>33,000</b>	16,250
Aillik, Labrador	<b>133,896</b>	50,000
Dorchester, New Brunswick	-	26,587
Balance, end of period	<b>788,265</b>	864,206

**8. 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**

	<b>June 30, 2008</b>		December 31, 2007	
	<b>Number of Shares</b>	<b>\$</b>	Number of Shares	\$
Common shares	<b>74,797,178</b>	<b>21,858,242</b>	56,972,419	19,194,986

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
For the three months and six months ended June 30, 2008 and 2007  
(Unaudited)

**8. SHARE CAPITAL (Continued)**

Common shares issued during the period were as follows:

	For the three months ended June 30, 2008		For the six months ended June 30, 2008	
	Number of common shares	\$	Number of common shares	\$
Balance, beginning of period	58,752,428	20,120,081	56,972,419	19,194,986
Private placement - non flow-through shares	16,044,750	3,208,951	17,249,570	4,208,951
Mineral property acquisitions	-	-	570,189	267,293
Stock options exercised	-	-	5,000	1,500
Fair value of stock options exercised	-	-	-	2,010
Fair value of warrants	-	(1,178,375)	-	(1,503,676)
Share issuance costs	-	(292,415)	-	(312,822)
<b>Balance, end of period</b>	<b>74,797,178</b>	<b>21,858,242</b>	<b>74,797,178</b>	<b>21,858,242</b>

On February 29, 2008, the Company completed a private placement with Newmont Mining Corporation of Canada Limited ("Newmont") for total proceeds of US\$1,000,000. The financing consisted of a non-brokered private placement of 1,204,840 units. Each unit was priced at \$0.83 per unit and consisted of one common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of \$1.00 for two years following the closing. Newmont purchased all the available units as part of a definitive Earn-in Joint Venture option agreement with respect to the formation of a regional exploration alliance to explore for gold in Southern Ecuador. The proceeds of the private placement will be used by the Company to fund the first phase of work under the alliance agreement. Each warrant was valued at \$0.27 using the Black-Scholes option pricing model.

On June 10, 2008, the Company completed a \$3,000,000 non-brokered private placement of 15,000,000 units at \$0.20 per unit. Each unit consisted of one common share and one non-transferable share purchase warrant exercisable at \$0.26 per share for a two year period following closing. The warrants are callable by the Company after the four month hold period after closing, if the volume weighted average price of the Company's shares for any consecutive 20 day period of

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
For the three months and six months ended June 30, 2008 and 2007  
(Unaudited)

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**8. SHARE CAPITAL (Continued)**

trading is equal to or greater than \$0.47. A finders fee of 7% in units and 5% compensation warrants were paid. Each compensation warrant entitles the finder to purchase one unit for \$0.20 during a period of two years following closing. All shares, including any shares issued on exercise of warrants, are subject to a four month restriction on sale or transfer. Proceeds will be used to further advance the Company's exploration programs and working capital requirements. Each warrant was valued at \$0.07 using the Black-Scholes option pricing model.

*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.

*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, 2008		For the six months ended June 30, 2008	
	Number	Weighted- Average Exercise Price	Number	Weighted- Average Exercise Price
Balance, beginning of period	9,253,001	0.54	9,243,001	0.54
Issued during the period				
To employees, officers and directors	1,657,751	0.28	1,807,751	0.29
Forfeited or cancelled during the period	(4,036,000)	0.58	(4,171,000)	0.58
Exercised during the period	-	-	(5,000)	0.30
Balance, end of period	6,874,752	0.45	6,874,752	0.45
Exercisable, end of period	4,984,567	0.47	4,984,567	0.47

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
For the three months and six months ended June 30, 2008 and 2007  
(Unaudited)

**8. SHARE CAPITAL (Continued)**

*Stock options*

The following table summarizes information about stock options outstanding and exercisable at June 30, 2008.

Exercise Price Range \$	Total Options Outstanding			Total Exercisable Options		
	Number of Outstanding Options	Remaining Contractual Life	Weighted Average Strike Price \$	Number of Exercisable Options	Remaining Contractual Life	Weighted Average Strike Price \$
0.20 - 0.39	3,075,085	3.44	0.31	1,869,909	2.50	0.32
0.40 - 0.59	1,938,001	2.83	0.49	1,938,001	2.83	0.49
0.60 - 0.79	1,861,666	3.93	0.65	1,176,657	3.90	0.65
	<b>6,874,752</b>	<b>3.40</b>	<b>0.45</b>	<b>4,984,567</b>	<b>2.96</b>	<b>0.47</b>

*Warrants*

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

	For the three months ended June 30, 2008		
	Number	\$	Weighted-Average Price \$
Balance, beginning of period	11,437,320	2,356,251	0.82
Expired during the period	(4,375,000)	(1,093,750)	0.80
Granted in connection with private placements	16,791,000	1,178,375	0.26
Balance, end of period	<b>23,853,320</b>	<b>2,440,876</b>	<b>0.43</b>

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
For the three months and six months ended June 30, 2008 and 2007  
(Unaudited)

**8. SHARE CAPITAL (Continued)**

*Warrants*

	<b>For the six months ended June 30, 2008</b>		
	<b>Number</b>	<b>\$</b>	<b>Weighted- Average Price \$</b>
Balance, beginning of period	10,232,500	2,030,950	0.80
Expired during the period	(4,375,000)	(1,093,750)	0.80
Granted in connection with private placements	17,995,820	1,503,676	0.31
Balance, end of period	23,853,320	2,440,876	0.43

*Contributed surplus*

Contributed surplus consists of the following amounts:

	<b>For the three months ended June 30, 2008</b>	<b>For the six months ended June 30, 2008</b>
	<b>\$</b>	<b>\$</b>
Balance, beginning of period	3,205,333	3,109,699
Fair value of options expensed as stock-based compensation	124,542	222,186
Fair value of warrants expired	1,093,750	1,093,750
Fair value of options exercised	-	(2,010)
Balance, end of period	4,423,625	4,423,625

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
For the three months and six months ended June 30, 2008 and 2007  
(Unaudited)

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**9. 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, 2008 and June 30, 2007, and are recorded at the agreed upon amounts:

	<b>Three months ended June 30, 2008</b>			Three months ended June 30, 2007
	<b>Expensed during the period</b>	<b>Capitalized in mineral properties</b>	<b>Total</b>	
	\$	\$	\$	\$
Professional and administrative fees	<b>66,250</b>	<b>1,440</b>	<b>67,690</b>	111,776
Office and warehouse rent	<b>4,709</b>	-	<b>4,709</b>	14,127
	<b>70,959</b>	<b>1,440</b>	<b>72,399</b>	125,903

	<b>Six months ended June 30, 2008</b>			Six months ended June 30, 2007
	<b>Expensed during the period</b>	<b>Capitalized in mineral properties</b>	<b>Total</b>	
	\$	\$	\$	\$
Professional and administrative fees	<b>152,990</b>	<b>1,840</b>	<b>154,830</b>	260,498
Office and warehouse rent	<b>18,837</b>	-	<b>18,837</b>	28,255
	<b>171,827</b>	<b>1,840</b>	<b>173,667</b>	288,753

**CORNERSTONE CAPITAL RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
For the three months and six months ended June 30, 2008 and 2007  
(Unaudited)

**10. SUPPLEMENTAL CASH FLOW INFORMATION**

	<b>For the three months ended June 30, 2008</b>	For the three months ended June 30, 2007
	\$	\$
Non-cash investing activities		
Acquisition of mineral properties for share consideration	-	(9,450)
Forfeiture of deferred option payments	<b>26,587</b>	38,775
	<b>26,587</b>	29,325
Non-cash financing activities		
Fair value of options exercised	-	34,581
Interest paid	-	163
	<b>For the six months ended June 30, 2008</b>	For the six months ended June 30, 2007
	\$	\$
Non-cash operating activities		
Receipt of marketable securities in settlement of accounts receivable	<b>(145,577)</b>	(208,799)
Non-cash investing activities		
Acquisition of mineral properties for share consideration	<b>(267,293)</b>	(183,915)
Forfeiture of deferred option payments	<b>144,422</b>	73,777
	<b>(122,871)</b>	(110,138)
Non-cash financing activities		
Fair value of options exercised	<b>2,010</b>	116,911
Receipt of marketable securities as consideration for deferred option payments	<b>50,646</b>	59,305
	<b>52,656</b>	176,216
Interest paid	-	337