



Consolidated Financial Statements of

**CORNERSTONE CAPITAL
RESOURCES INC.**

December 31, 2008 and 2007

CORNERSTONE CAPITAL RESOURCES INC.

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Auditors' Report

To the Shareholders of
Cornerstone Capital Resources Inc.

We have audited the consolidated balance sheets of Cornerstone Capital Resources Inc. as at December 31, 2008 and 2007 and the consolidated statements of loss and deficit, comprehensive loss, accumulated other comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
St. John's, Newfoundland and Labrador
April 20, 2009

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

For the years ended December 31

	<u>2008</u>	<u>2007</u>
	\$	\$
INCOME		
Option payments forfeited by joint venture partners	116,770	213,046
Investment income	113,304	146,117
Other income	66,472	67,980
	<u>296,546</u>	<u>427,143</u>
EXPENSES		
Write-down of mineral properties (Note 7)	5,881,480	1,027,369
General and administrative (Note 16)	2,260,493	2,189,342
Unrealized loss on value of marketable securities	953,802	-
Stock-based compensation	316,599	1,246,273
Amortization	150,216	111,445
Unrealized loss on value of share purchase warrants	33,896	-
Interest and bank charges	5,788	6,747
Foreign exchange (gain) loss	(11,657)	153,688
	<u>9,590,617</u>	<u>4,734,864</u>
NET LOSS FOR THE YEAR	(9,294,071)	(4,307,721)
DEFICIT, BEGINNING OF YEAR	(12,422,198)	(8,114,477)
DEFICIT, END OF YEAR	(21,716,269)	(12,422,198)
LOSS PER SHARE - BASIC AND DILUTED	0.14	0.08
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	67,588,929	51,877,042

See accompanying notes to the consolidated financial statements

CORNERSTONE CAPITAL RESOURCES INC.

Consolidated Balance Sheets

As at December 31

	<u>2008</u>	<u>2007</u>
	\$	\$
ASSETS		
CURRENT		
Cash and cash equivalents	1,867,575	3,721,802
Marketable securities	68,575	245,704
Accounts receivable (Note 6)	711,208	644,574
Refundable staking deposits	212,995	215,443
Prepaid expenses	70,407	66,678
	2,930,760	4,894,201
MINERAL PROPERTIES (Note 7 and Note 16)	5,287,284	7,968,640
CAPITAL ASSETS (Note 8)	420,067	487,624
	8,638,111	13,350,465
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	895,917	1,187,168
DEFERRED OPTION PAYMENTS (Note 9)	644,370	864,206
	1,540,287	2,051,374
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	21,855,179	19,194,986
Warrants (Note 12)	2,440,876	2,030,950
Contributed surplus (Note 13)	4,518,038	3,109,699
Deficit	(21,716,269)	(12,422,198)
Accumulated other comprehensive loss	-	(614,346)
	7,097,824	11,299,091
	8,638,111	13,350,465

DESCRIPTION OF BUSINESS AND CONTINUING OPERATIONS (Note 1)

COMMITMENTS (Note 15)

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
For the years ended December 31

	<u>2008</u>	<u>2007</u>
	\$	\$
OPERATING ACTIVITIES		
Net loss	(9,294,071)	(4,307,721)
Items not affecting cash:		
Option payments forfeited by joint venture partners	(116,770)	(213,046)
Amortization of capital assets	150,216	111,445
Write-down of mineral properties	5,881,480	1,027,369
Unrealized loss on value of marketable securities	953,802	-
Unrealized loss on value of share purchase warrants	33,896	-
Fair value of stock-based compensation	316,599	1,246,273
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(66,634)	1,158,271
Decrease (increase) in refundable staking deposits	2,448	(178,693)
Decrease (increase) in prepaid expenses	(3,729)	2,438
Decrease in accounts payable and accrued liabilities	(291,251)	(274,461)
	<u>(2,434,014)</u>	<u>(1,428,125)</u>
INVESTING ACTIVITIES		
Mineral properties expenditures - net	(3,131,044)	(3,817,408)
Purchase of capital assets	(82,659)	(370,657)
Deferred option payments - net	(95,575)	273,364
	<u>(3,309,278)</u>	<u>(3,914,701)</u>
FINANCING ACTIVITIES		
Repayments of demand bank loan	-	(11,985)
Proceeds from issuance of warrants	1,503,676	937,200
Proceeds from issuance of share capital - net	2,385,390	2,345,915
	<u>3,889,066</u>	<u>3,271,130</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,854,226)	(2,071,696)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,721,802	5,793,498
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>1,867,576</u>	<u>3,721,802</u>
COMPRISED OF: Bank deposits and cash on hand	477,678	693,692
Bank guaranteed investment certificates	1,389,897	3,028,110
	<u>1,867,575</u>	<u>3,721,802</u>

SUPPLEMENTAL CASH FLOW INFORMATION (NOTE 14)

See accompanying notes to the consolidated financial statements

CORNERSTONE CAPITAL RESOURCES INC.
Consolidated Statements of Comprehensive Loss
For the years ended December 31

	<u>2008</u>	<u>2007</u>
	\$	\$
NET LOSS	(9,294,071)	(4,307,721)
OTHER COMPREHENSIVE LOSS		
Unrealized loss in fair value of marketable securities (net of tax of nil)	(339,456)	(614,346)
Less classification adjustment to reflect other than temporary decline in value	953,802	-
OTHER COMPREHENSIVE INCOME (LOSS)	614,346	(614,346)
COMPREHENSIVE LOSS	(8,679,725)	(4,922,067)

CORNERSTONE CAPITAL RESOURCES INC.
Consolidated Statements of Accumulated Other Comprehensive Loss
As at December 31

	<u>2008</u>	<u>2007</u>
	\$	\$
ACCUMULATED OTHER COMPREHENSIVE LOSS, BEGINNING OF YEAR	(614,346)	-
OTHER COMPREHENSIVE INCOME (LOSS)	614,346	(614,346)
ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF YEAR	-	(614,346)

See accompanying notes to the consolidated financial statements

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

December 31, 2008 and 2007

1. DESCRIPTION OF BUSINESS AND CONTINUING OPERATIONS

Cornerstone Capital Resources Inc. (“Cornerstone” or the “Company”), through its wholly-owned subsidiaries, Cornerstone Resources Inc., Cornerstone International Inc., Cornerstone Ecuador S.A., and La Plata Minerales S.A. is engaged in the evaluation, acquisition and exploration of mineral properties in Canada and Ecuador. The Company plans to ultimately develop the properties as joint ventures, bring them into production, option or lease properties to third parties, or sell the properties outright. The Company has not determined whether these properties contain ore reserves that are economically recoverable and the Company is considered to be in the exploration stage.

While 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, several adverse conditions cast substantial doubt on the validity of this assumption. The Company does not have any proven economically recoverable reserves, has continuous losses, and at December 31, 2008, the Company had an accumulated deficit of \$21,716,269 (2007 - \$12,422,198). 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 current economic environment has made it more challenging for the mineral exploration industry, including the Company, with reduced commodity prices and the reduction in available capital from investors. The Company however, believes it has properties which will continue to attract equity investors and believes it will survive the current economic challenges. The amounts shown as deferred exploration costs represent net costs to date less write offs 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.

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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

Basis of consolidation

These consolidated financial statements reflect the financial position, results of operations and cash flows of Cornerstone Capital Resources Inc. and its wholly owned subsidiaries. All inter-company transactions have been eliminated upon consolidation.

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

December 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Refundable staking deposits

The Company makes staking deposits on its various exploration claims which are refundable when and if the Company incurs sufficient exploration expenditures within a specified time frame and files a related exploration report with the appropriate government authorities. Should the Company not incur the applicable exploration expenditures or post a bond in lieu thereof or fail to submit the related exploration report within the applicable timeframe, the staking fee becomes non-refundable and is added to mineral properties.

Mineral properties

The Company is in the exploration stage and defers all expenditures related to its mineral properties until such time as the properties are put into commercial production, sold or abandoned. Under this method, all amounts shown as mineral properties represent costs incurred to date less amounts amortized, received from exploration partners and/or written off, and do not necessarily represent present or future values.

If the properties are put into commercial production, the expenditures will be depleted following the unit of production method. If the properties are sold or abandoned, or considered to be impaired in value, the expenditures will be charged to operations. The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

The carrying value of mineral properties, on a property-by-property basis, is reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized for the mineral properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

Management's estimates of recoverability of the Company's investment in its various projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future writedowns of capitalized property carrying values.

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

December 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

Capital assets are recorded at cost. Amortization is calculated on a declining balance basis at rates which will reduce original cost to estimated residual value over the estimated useful life of the assets, except for leasehold improvements, which are amortized over the period of the lease.

Deferred option payments

The Company records the proceeds from option payments on its properties as a deferred liability. Should the party purchasing the option exercise their option to purchase an interest in the Company's property, the Company will record the option payments as part of the proceeds of disposition from the property in the year that the option is exercised. Should the party purchasing the option not exercise their rights within the agreed upon time frame, the Company will record the option payments previously received as a credit against mineral properties to reduce the balance and the remainder of the balance, if any, to other income in the year that the option rights expire.

Flow-through shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to holders of the flow-through shares. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to holders of the flow-through shares.

Stock-based compensation

The Company uses the fair value method to measure compensation expense at the date of grant of stock options. The fair value of options is determined using the Black-Scholes option pricing model and is amortized to earnings over the vesting period with an offset to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital.

Income taxes

The Company follows the liability method of accounting for income taxes. Future income tax assets and liabilities arise from temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. They are measured using the enacted and substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Valuation allowances are established, when necessary, to reduce future income tax assets to the amount that is more likely than not to be realized.

CORNERSTONE CAPITAL RESOURCES INC.
Notes to the Consolidated Financial Statements
December 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted-average number of shares outstanding during the year. Diluted loss per share is equivalent to basic loss per share as the inclusion of outstanding options and warrants is anti-dilutive.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the balance sheet date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenue and expenses are translated at the average exchange rates prevailing during the year except for amortization, which is translated at historical exchange rates. Gains and losses on translation are included in the determination of net loss for the year.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to valuation of mineral claims and deferred exploration expenditures, the determination of the valuation allowance for income tax assets, the determination of environmental obligations, rates for depletion and amortization, recoverability of accounts receivable and valuation of options and warrants. Actual results could differ from those estimates.

Asset retirement obligations

The Company recognizes the fair value of the liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows to abandon the asset at the Company's credit adjusted risk-free interest rate. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statement of loss and deficit. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. The increase in the carrying value of the asset is amortized on the same basis as mineral properties. Management is unable to estimate the liability, if any, at this time.

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

December 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

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

-Marketable securities and share purchase warrants are classified as “Financial Assets Held for Trading”. These financial assets are marked-to-market through net income (loss) at each period end. As 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. The share purchase warrants are marked to market at the balance sheet date using the Black Scholes option-pricing model and the share price of the issuing company on the Toronto Stock (Venture) Exchange.

-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, due to the short term nature of financial assets.

-Accounts payable and accrued liabilities 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, due to the short term nature of financial liabilities.

-Transaction costs are included in the initial carrying amount of financial instruments, except for held for trading items which are expensed as incurred.

The Company has determined that it does not have derivatives or embedded derivatives.

3. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2008, the Company adopted applicable accounting standard changes issued by the Canadian Institute of Chartered Accountants (“CICA”), 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”).

General Standards of Financial Statement Presentation

The Company has adopted amendments to Handbook 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.

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

December 31, 2008 and 2007

3. CHANGE IN ACCOUNTING POLICY (Continued)

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 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 consolidated financial statements.

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.

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

December 31, 2008 and 2007

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 December 31, 2008, the Company had cash and cash equivalents of \$1,867,575 (December 31, 2007 - \$ 3,721,802) to settle current liabilities of \$895,917 (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. The current recession has made it more challenging for the mineral exploration industry, including the Company, with reduced commodity prices and the reduction in available capital from investors. The Company however, believes it has properties which will continue to attract equity investors and believes it will survive the current economic challenges.

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 December 31, 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

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

December 31, 2008 and 2007

5. FINANCIAL RISK FACTORS (Continued)

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. The Share investments and warrants are classified as "held-for-trading" and are measured at fair value. Changes in fair value of share investments and warrants 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. These warrants were fully written off during the year.

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 2009: the Company's investments in publicly traded companies are denominated in Canadian dollars. Based on the movements in these share prices in 2008, a similar movement in 2009 would increase net loss by \$68,575, the total carrying value of marketable securities at December 31, 2008. The warrants outlined above, were fully written off during the third quarter, therefore there will be no further impact on net income.

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

December 31, 2008 and 2007

6. ACCOUNTS RECEIVABLE

	<u>2008</u>	<u>2007</u>
	\$	\$
Government of Newfoundland and Labrador - Mineral Incentive Program - JEA Grants (Note 7)	50,000	-
Joint venture partners	493,560	389,693
Other	167,648	254,881
	711,208	644,574

7. MINERAL PROPERTIES

As at December 31, 2008, the Company has been issued 106 (2007 – 120) licenses by the Government of Newfoundland and Labrador which consist of 9,424 (2007 – 7,037) mineral exploration claims covering various areas of Newfoundland and Labrador. Of these 9,424 mineral exploration claims 4,236 are held 50% by Altius Resources Inc. The Government of New Brunswick has issued 14 (2007 – 7) licenses to the Company which cover 2,092 (2007 – 672) claims in New Brunswick. The Company also holds 28 (2007 – 30) mineral exploration claims in Ecuador.

A summary of mineral properties is as follows:

Geographical Area	Number of Claims	Balance, Beginning of Year	2008			Balance, End of Year
			Additions	JV Recoveries & Government Grants	Properties Written down	
		\$	\$	\$	\$	\$
Island of						
Newfoundland	4,097	2,932,239	1,160,813	(186,152)	(1,995,297)	1,911,603
Labrador	5,327	2,020,950	1,138,636	(582,423)	(2,249,329)	327,834
New Brunswick	2,092	163,258	584,666	(66,588)	(42,823)	638,513
Ecuador	28	2,852,193	1,624,937	(473,765)	(1,594,031)	2,409,334
	11,544	7,968,640	4,509,052	(1,308,928)	(5,881,480)	5,287,284

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

December 31, 2008 and 2007

7. MINERAL PROPERTIES (Continued)

Geographical Area	Number of Claims	Balance, Beginning of Year	2007			Balance, End of Year
			Additions	JV Recoveries and Government Grants	Properties Written down	
		\$	\$	\$	\$	\$
Island of						
Newfoundland	3,910	2,198,979	1,145,784	(226,673)	(185,851)	2,932,239
Labrador	3,127	1,090,801	947,335	(2,996)	(14,190)	2,020,950
New Brunswick	672	15,173	292,739	(143,134)	(1,520)	163,258
Ecuador	30	2,318,480	6,373,287	(5,839,574)	-	2,852,193
India	-	244,158	581,650	-	(825,808)	-
	7,739	5,867,591	9,340,795	(6,212,377)	(1,027,369)	7,968,640

During the last quarter of 2008, the economic downturn has resulted in the Company reviewing all its properties to ensure that only those properties where exploration activities are expected to continue in the near term are reflected on the balance sheet as mineral properties.

During the year, the Company applied for grants under the Newfoundland and Labrador Mineral Incentive Program (JEA) totaling \$50,000 (2007 – \$49,553), and the New Brunswick Junior Mining Assistance Program totalling \$30,000 (2007 - \$24,000). These grants are recorded as either a reduction in the carrying value of the related mineral property or as account payable depending on the terms of the relevant joint venture agreement. During the year, \$138,495 (2007 - \$152,898) of prior year grants were recorded as a reduction in the carrying value of mineral properties.

Refer to Note 9 for further information on mineral properties and related joint venture agreements.

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

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8. CAPITAL ASSETS

	2008			Net Book Value
	Rate	Cost	Accumulated Amortization	
		\$	\$	
Leasehold improvements	3 years	8,939	2,408	6,531
Equipment	20%	230,684	86,220	144,464
Computers	45%	272,652	186,964	85,688
Vehicles	20%	248,243	64,859	183,384
		760,518	340,451	420,067

	2007			Net Book Value
	Rate	Cost	Accumulated Amortization	
		\$	\$	
Leasehold improvements	3 years	20,964	6,166	14,798
Equipment	20%	183,739	54,349	129,390
Computers	45%	239,691	125,486	114,205
Vehicles	20%	248,243	19,012	229,231
		692,637	205,013	487,624

9. DEFERRED OPTION PAYMENTS

	2008	2007
	\$	\$
Ecuador Projects	611,369	611,369
Bobby's Pond, Newfoundland	33,000	16,250
Long Lake, Newfoundland	-	10,000
Garland, Labrador	-	150,000
Aillik, Labrador	-	50,000
Dorchester, New Brunswick	-	26,587
	644,369	864,206

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

December 31, 2008 and 2007

9. DEFERRED OPTION PAYMENTS (Continued)

In November 2005, the Company, through its wholly owned subsidiary, Cornerstone Ecuador S. A., acquired the right from Sultana Del Condor Minera S.A. ("Sultana") to earn up to a 70% interest in the La Plata polymetallic volcanogenic massive sulphide ("VMS") project located 60 km west of Quito, Ecuador. The agreement with Sultana gives the Company the right to acquire up to a 70% interest in the project by incurring expenditures of US\$3,000,000, making cash payments of US\$1,000,000, issuing Company shares to the value of US\$1,000,000, producing a bankable feasibility report and arranging mine financing, all over an eight year period. On December 31, 2007, the Company exercised its option to earn a 51% interest in this project from its Ecuadorian partner. (see Subsequent Events – Note 17).

On January 20, 2006, the Company announced that Cornerstone Ecuador S.A. signed an earn-in/option agreement with Coastport covering the Company's Shyri Gold Properties in southern Ecuador. The Company has outlined numerous target areas on the properties with potential for both high and low sulfidation gold deposits. Implemented in its entirety, the agreement would see Coastport provide US\$8,000,000 to fund exploration programs on the properties and make option payments to the Company of US\$490,000 in cash and US\$490,000 in shares, over a period of four years or less. Additionally, Coastport earns its 100% interest in the property by issuing shares to the Company equal to 40% of Coastport's fully diluted share capital and granting the Company a 1% NSR. Coastport will have the right, under certain circumstances, to purchase the Company's 1% NSR at fair market value. The Company is the operator until Coastport earns its interest. As at December 31, 2008, the Company has received US \$310,000 and 911,421 shares of Coastport for this agreement. This has been recorded as deferred option payments. As at December 31, 2008 both Coastport and the Company are in compliance with the agreements. On December 31, 2007, the Company exercised its option to earn a 100% interest in this property from its Ecuadorian partner, Sierra Minera "Sierramin" S.A. (see Subsequent events Note 17).

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 \$2,750,000 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. 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. As at December 31, 2008, Mountain Lake was in compliance with the agreement.

On May 1, 2007 the Company and Thundermin Resources Inc. ("Thundermin") (collectively, the Little Deer Joint Venture or "LDJV") signed a letter of intent ("LOI") with Weyburn Investments Ltd.

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

December 31, 2008 and 2007

9. DEFERRED OPTION PAYMENTS (Continued)

("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. 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 the Company, at each of Thundermin's and the Company's respective election: \$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 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 will 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 royalty to Weyburn, 50% of which can be repurchased by the LDJV for \$1,000,000. The LDJV is a 50/50 joint venture between Thundermin and the Company with Thundermin as operator. By 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. The LDJV does not have any option payments either to or by the Company.

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 km² 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 is operating 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 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.

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

December 31, 2008 and 2007

9. DEFERRED OPTION PAYMENTS (Continued)

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 while it finalizes its new mining law. The original term of the moratorium was for 180 days, but this timeframe has been extended until finalization of the new mining law. The new Mining Law was passed by the Constituent Assembly in January 2009, however, there is still some uncertainty about the law and the Company is monitoring the situation to assess the timing of future work in the country. On April 30, 2008, in consultation with its joint venture partners, Coastport Capital and Newmont Ventures, the Company provided notice of *force majeure* on the Shyri and Macara Projects in Ecuador. *Force majeure* has also been declared on the Company's La Plata project 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 force majeure continues even though the new Mining Law was passed in January 2009 until such time as more clarity is evident and the Company and its partners are able to recommence work in that country. While the Company still believes the Ecuador properties have potential, it has recognized an impairment in the value of certain specific Ecuadorian Mineral Properties of \$1,594,031, as the potential outcome of the situation is still uncertain. (see Subsequent Events – Note 17).

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 km² 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 has withdrawn from the Dorchester, New Brunswick project. The Company decided to begin exploration activities on its own in order to assess the project feasibility and possibly seek another joint venture partner. Deferred option payments previously received for this project have been reclassified as a reduction of mineral properties.

On September 26, 2008 Cogitore Resources Inc. advised the Company that it is withdrawing from the Long Lake project in Newfoundland. The Company is seeking new joint venture partners for this project.

On December 19, 2008, Cash Minerals Ltd. (“Cash Minerals”) withdrew from the Aillik uranium property in the Central Mineral Belt (CMB), Labrador. The Company is seeking new joint venture partners for this project.

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

December 31, 2008 and 2007

10. INCOME TAXES

(a) Future income taxes

Temporary differences which give rise to future income tax assets and liabilities as at December 31 are as follows:

	<u>2008</u>	<u>2007</u>
	\$	\$
Future income tax asset:		
Tax loss carryforwards	2,434,889	2,004,047
Financing costs, marketable securities and other	511,769	413,765
Mineral properties	564,001	-
Less valuation allowance	(3,504,443)	(1,380,741)
	6,216	1,037,071
Future income tax liabilities:		
Mineral properties	-	1,028,853
Capital assets	6,216	8,218
	6,216	1,037,071
Future income tax liability	-	-

(b) Income tax rate

The income tax recovery reflects an effective tax rate which differs from the combined Federal and Provincial rate as follows:

	<u>2008</u>	<u>2007</u>
	%	%
Income tax recovery at combined statutory rate	(33.50)	(36.12)
Stock-based compensation not deductible for tax purposes	1.14	10.45
Unrealized loss on value of marketable securities	3.56	-
Write-down of mineral properties	15.45	8.62
Value of tax benefits not recognized for accounting purposes	14.14	17.48
Future tax benefits not previously recognized	-	-
Other	(0.79)	(0.43)
Effective tax rate	0.00	0.00

CORNERSTONE CAPITAL RESOURCES INC.
Notes to the Consolidated Financial Statements
December 31, 2008 and 2007

10. INCOME TAXES (Continued)

(c) Non-capital losses

The Company has Canadian non-capital losses amounting to \$8,396,173 which are available to reduce future taxable income. These non-capital losses expire as follows:

	\$
2009	355,974
2010	834,178
2014	1,244,976
2015	916,386
2026	1,502,896
2027	1,847,362
2028	1,694,401
	<u>8,396,173</u>

The Company also has available Canadian exploration expenses and Canadian development expenses of \$4,830,109 and \$429,696 respectively, which may be deducted in determining taxable income of future years.

The Company has taken a valuation allowance against the income tax benefits related to the non-capital losses, Canadian exploration expenses and Canadian development expenses.

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

December 31, 2008 and 2007

11. SHARE CAPITAL

Authorized

An unlimited number of common shares with no par value

An unlimited number of first preferred and second preferred shares

Issued and outstanding

	2008		2007	
	Number	\$	Number	\$
Common shares				
Balance, beginning of year	56,972,419	19,194,986	50,009,236	16,412,851
Issued during the year:				
Private placements	17,249,570	4,208,951	5,857,500	2,284,425
Mineral property acquisitions	670,189	272,793	218,350	183,915
Stock options exercised	5,000	1,500	787,333	300,033
Fair value of warrants	-	(1,503,676)	-	-
Fair value of options exercised	-	2,010	-	252,306
Other share issuance	-	-	100,000	-
Share issuance costs	-	(321,385)	-	(238,544)
Balance, end of year	74,897,178	21,855,179	56,972,419	19,194,986

On February 29, 2008, the Company completed a private placement with Newmont Mining Corporation of Canada Limited ("Newmont") for total proceeds of \$1,000,001. The financing consisted of a non-brokered private placement of 1,204,820 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 non-brokered private placement of 15,000,000 units at \$0.20 per unit for total cash proceeds of \$3,000,000. 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 trading is equal to or greater than \$0.47. A finders fee of 1,044,750 units and 746,250 compensation warrants was 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

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

December 31, 2008 and 2007

11. SHARE CAPITAL (Continued)

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 ever been issued.

12. STOCK OPTIONS AND WARRANTS

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. The maximum number of options which may be granted to directors, officers, key employees and consultants of the Company, under the stock option plan is 11,750,485. The vesting period for options is set by the Company at the time the options are granted and shall not exceed eighteen months. The exercise price for options is set by the Company at an amount equal to the TSX Venture Exchange trading price on the day preceding the date the options are granted, less any applicable discount as permitted by TSX Venture Exchange policies as decided by the Company. The exercise period for options is set by the Company at the time the options are granted and shall not exceed five years. Details of the Company's stock option plan are as follows:

	2008		2007	
	Number	Weighted-Average Exercise Price \$	Number	Weighted-Average Exercise Price \$
Balance, beginning of year	9,243,001	0.54	5,700,334	0.44
Issued during the year:				
To company consultants	-	-	625,000	0.65
To employees, officers and directors	1,807,751	0.29	3,870,000	0.65
Forfeited during the year	(5,411,000)	0.56	(165,000)	0.49
Exercised during the year	(5,000)	0.30	(787,333)	0.38
Balance, end of year	5,634,752	0.45	9,243,001	0.54
Exercisable, end of the year	4,521,241	0.48	4,947,901	0.47

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

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12. STOCK OPTIONS AND WARRANTS (Continued)

The following table summarizes information about stock options outstanding and exercisable.

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	2,760,085	2.91	0.31	1,738,243	2.03	0.32
0.40 - 0.59	1,483,001	2.38	0.50	1,483,001	2.38	0.50
0.60 - 0.79	1,391,666	3.43	0.66	1,299,997	3.41	0.65
	5,634,752	2.90	0.45	4,521,241	2.54	0.48

In May 2008, approximately 4,000,000 stock options issued to directors, management and staff were cancelled. Approximately 1,000,000 new stock options were issued to these individuals at an exercise price of \$0.30, which was the trailing 30 day average share price to May 1, 2008. The new options will vest according to TSX Venture Exchange regulations and the Company's stock option plan.

The fair value of the options that were issued to individuals in respect of property acquisitions has been capitalized as a part of the cost of the mineral properties acquired. The fair value of the options that were issued to Company consultants, employees, officers and directors has been expensed as stock-based compensation.

The weighted average fair value of the stock options granted was estimated on the dates of the grants to be \$0.29 (2007-\$0.65) using the Black Scholes option-pricing model and the following assumptions:

Risk-free interest rate	2.74% - 3.27%
Weighted average expected life	2.9 years
Estimated volatility in the market price of common shares	72.49% - 83.89%
Dividend yield	Nil

CORNERSTONE CAPITAL RESOURCES INC.

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12. STOCK OPTIONS AND WARRANTS (Continued)

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:

	2008			2007		
	Number	\$	Weighted-Average Price \$	Number	\$	Weighted-Average Price \$
Balance, beginning of year	10,232,500	2,030,950	0.80	4,375,000	1,093,750	0.80
Expired during the year	(4,375,000)	(1,093,750)	0.80	-	-	0.80
Granted in connection with private placements	17,995,820	1,503,676	0.31	5,857,500	937,200	0.80
Balance, end of year	23,853,320	2,440,876	0.43	10,232,500	2,030,950	0.80

There were 1,204,820 warrants issued in connection with the February 29, 2008 private placement with Newmont. Each warrant entitles Newmont to purchase one additional common share at a price of \$1.00 for two years following the closing. Each warrant was fair valued at \$0.27 using the Black-Scholes option pricing model.

There were 16,791,000 warrants issued in connection with the June 10, 2008 financing with an exercise price of \$0.26 for two years following closing. These warrants are callable by the Company, if the volume weighted average trading price of the Company's common shares on the TSX Venture Exchange equals or exceeds \$0.47 for a period of 20 consecutive trading days. Each warrant was fair valued at \$0.07 using the Black-Scholes option pricing model.

There were 5,857,500 warrants issued in connection with the October 17, 2007 financing with an exercise price of \$0.80 for two years following closing. These warrants are callable by the Company, if the volume weighted average trading price of the Company's common shares on the TSX Venture Exchange equals or exceeds \$1.10 for a period of 20 consecutive trading days. Each warrant was fair valued at \$0.16 using the Black-Scholes option pricing model.

CORNERSTONE CAPITAL RESOURCES INC.

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13. CONTRIBUTED SURPLUS

Contributed surplus consists of the following amounts:

	<u>2008</u>	<u>2007</u>
	\$	\$
Balance, beginning of year	3,109,699	2,115,732
Fair value of options expensed as stock based compensation	316,599	1,246,273
Fair value of warrants expired	1,093,750	-
Fair value of options exercised	(2,010)	(252,306)
Balance, end of year	4,518,038	3,109,699

14. SUPPLEMENTAL CASH FLOW INFORMATION

	<u>2008</u>	<u>2007</u>
	\$	\$
Non-cash operating activities		
Receipt of marketable securities in settlement of accounts receivable	(145,577)	-
Non-cash financing activities		
Fair value of options exercised	2,010	252,306
Receipt of marketable securities as consideration for deferred option payments	50,646	149,496
	52,656	401,802
Non-cash investing activities		
Acquisition of mineral properties for share consideration	(272,793)	(183,915)
Forfeiture of deferred option payments	320,484	1,085,949
	47,691	902,034
Income taxes paid	-	-
Interest paid	-	596

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

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15. 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 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 event that a joint venture agreement is signed in respect of the particular property. The agreements also provide for the payment of a NSR 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>
	\$	#
2009	117,500	150,000
2010	130,000	30,000
2011	40,000	40,000
	<u>287,500</u>	<u>220,000</u>

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

	\$
2009	118,642
2010	103,230
2011	103,230
2012	103,230
2013	51,615
	<u>\$ 479,947</u>

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

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16. RELATED PARTY TRANSACTIONS

The following represents a summary of transactions with parties under common influence and shareholders:

	2008		
	Expensed during the year	Capitalized in mineral properties	Total
	\$	\$	\$
Professional and administrative fees	256,618	2,795	259,413
Office and warehouse rent	18,837	-	18,837
	275,455	2,795	278,250

	2007		
	Expensed during the year	Capitalized in mineral properties	Total
	\$	\$	\$
Professional and administrative fees	440,117	27,275	467,392
Office and warehouse rent	56,508	-	56,508
	496,625	27,275	523,900

Resource Concepts Inc., which is controlled by Director John Fleming, P. Geo, who serves as the Company's Vice Chairman, billed a total of \$30,450 (2007 - \$53,625) for geological consulting and management services. Director W. John Clarke is the Company's legal counsel. He provided legal services in the amount of \$11,500 (2007 - \$53,060) relating to various agreements and ongoing business matters. Sealan Capital Corporation Inc., controlled by Director Glen H. McKay, who serves as the Company's Chairman, billed a total of \$97,037 (2007 - \$234,515), including management and property related consulting \$78,200 (2007 - \$153,600), office services and property leasing \$18,837 (2007 - \$56,508) and accounting and clerical services of \$ Nil (2007 - \$24,407). D.R. Loveys & Associates Inc., controlled by Director David Loveys, the Company's Vice President Finance, CFO and Corporate Secretary, billed a total of \$139,263 (2007 - \$182,700) for accounting and management consulting services. These transactions are considered to be in the normal course of business and are measured at exchange amounts being the amounts established and agreed to by the related parties. The amounts capitalized in mineral properties represent direct costs associated with the respective properties. Amounts expensed are included in general and administrative expenses.

CORNERSTONE CAPITAL RESOURCES INC.

Notes to the Consolidated Financial Statements

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17. SUBSEQUENT EVENTS

On January 29, 2009 the Government of Ecuador enacted a new mining law, and during a conference in Toronto, Canada in March 2009, Ecuadorian Mining Ministry officials indicated that the Mining Mandate, which had placed a moratorium on all exploration and mining activities in Ecuador since April 2008, was completed. The Company now expects that it will be permitted to reactivate its exploration activities in the near future.

On March 3, 2009, Coastport Capital Inc. advised the Company that it was terminating its option to continue with, and earn an interest in, the Shyri project in Ecuador. The Company is actively discussing the project with potential new joint venture partners. The deferred option payments of \$611,369 related to this project will be transferred as a reduction to the value of the Mineral Properties in the first quarter 2009.

On April 15, 2009, the Company signed a letter of intent with Sultana del Condor, its Ecuadorian partner in the La Plata project, to sell its interests in the La Plata property for US \$675,000, payable over a period of 18 months as follows: \$200,000 on closing, \$225,000 twelve months after closing, and \$250,000 eighteen months after closing.