



**Management's Discussion & Analysis of
Financial Conditions & Results of Operations**

To March 31, 2009

CORNERSTONE CAPITAL RESOURCES INC.

Consolidated Results To March 31, 2009

Management's Discussion & Analysis of Financial Conditions & Results of Operations

The following discussion and analysis, dated May 26, 2009, should be read in conjunction with the Consolidated Financial Statements and related notes. All dollar amounts are stated in Canadian dollars, unless otherwise noted.

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address exploration drilling, exploration activities and events or developments that Cornerstone Capital Resources Inc. (the "Company" or "Cornerstone") expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include market prices, exploration and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Description of Business

Cornerstone Capital Resources Inc. was formed in July 1999 and began trading on the now TSX Venture Exchange on November 29, 1999 under the trading symbol "CTP". The symbol was changed to "CGP" after shareholders approved a one for three share consolidation during January of 2003. Cornerstone Resources Inc. (CRI), Cornerstone International Inc. (CII), Cornerstone Ecuador S.A. and La Plata Minerales S.A are wholly owned subsidiaries involved in mineral exploration and development. The Company's properties, all located in Canada and Ecuador, have exploration potential for deposits of base and precious metals, industrial minerals and uranium.

Results of Operations

The three-month period ending March 31, 2009 compared with the three-month period ending March 31, 2008.

At January 1, 2009, exploration properties held by the Company totalled 11,544 claims. During the first three months of 2009, a number of property claims were dropped, leaving the Company with a total of 10,196 claims in Canada and 18 concessions in Ecuador at the end of March 2009.

During the three-month period ending March 31, 2009 the Company had a net loss of \$403,515 - \$0.01 per share, compared to a net loss of \$697,267 - \$0.01 per share for the same period in 2008. Expenses

incurred during the three-month period ending March 31, 2009 were \$415,579 compared to \$778,924 for the same period in 2008. The decrease of \$363,345 during the period was due to a number of factors, the most notable of which are:

1. **General and administrative expenses** decreased by \$255,135 due to reduced exploration activities in Canada and Ecuador. The Company is also undertaking a significant cost reduction effort as a result of the current adverse economic environment.
2. **Mineral property costs abandoned** was nil during the first quarter 2009 compared to \$13,274 during the same period in 2008 due to the fact the Company took a significant write off of its mineral properties at December 31, 2008. The remaining properties are those on which work is expected to be performed in the short term, therefore no further write offs were deemed necessary during this quarter.
3. **Stock-based compensation** decreased by \$68,451 due primarily to lower share prices relative to options issued during the same period last year.
4. **Amortization** decreased by \$6,145 during the three months ended March 31, 2009 compared to the same period last year as the Company has not recently purchased any additional capital equipment.
5. **Foreign exchange gain** decreased by \$10,064 during the first three months of 2009 due to the unfavourable Canadian dollar movements during the quarter.
6. **Unrealized loss on fair value of share purchase warrants** was nil during the first quarter 2009 compared to \$30,274 during the same period last year as these warrants were completely written off during 2008.

Revenue for the period was \$12,064 compared to \$81,657 during the first quarter 2008, a decrease of \$69,593, as option payments which were forfeited by joint venture partners this quarter were completely charged directly against mineral properties. As well, the Company had lower investment income in the period due to lower investment rates and less invested cash on hand.

Mineral properties

Total capitalized expenditures on mineral properties as at March 31, 2009 were \$4,936,920 compared to \$9,122,957 at March 31, 2008 and \$5,287,284 at December 31, 2008. Net mineral property expenditures (recoveries) of \$(261,004) were incurred during the three month period ending March 31, 2009 compared to \$(1,018,133) during the same period in 2008. This resulted from option payments being forfeited by joint venture partners and written off against the applicable property. Included in the net mineral property expenditures are recoveries from Joint Venture Partners and Government grants of \$848,132 compared to \$357,928 for the same period in 2008. Expenditure recoveries from JV partners are higher for the first three months of 2009 over the corresponding period in 2008 due to the option payments which were forfeited by a joint venture partner during the quarter. The forfeited option payments reduced the capitalized mineral properties for the quarter.

**Consolidated Schedule of Mineral Properties
(Unaudited)**

Property	Gross Expenditures	Government Grants (JCEAP)	Recoveries	Properties Abandoned	Net Total Mar 31/09	Net Total Dec 31/08
			Venture Partners			
		\$	\$	\$	\$	\$
Burin	639,757	-	-	(300,000)	339,757	321,453
Chaleur	276,290	(50,000)	-	-	226,290	259,054
El Strato	1,110,798	(166,841)	(637,376)	-	306,581	306,272
Elgin	90,609	-	(12,106)	-	78,503	78,503
Goshen	303,970	-	-	-	303,970	300,957
Labrador Trough	1,095,601	(46,470)	(428,349)	(330,000)	290,782	327,834
Little Deer	1,342,026	(100,000)	-	-	1,242,026	1,218,118
South America	14,431,947	-	(11,363,347)	(1,000,000)	2,068,600	2,409,334
Other Properties	80,411	-	-	-	80,411	65,759
	<u>19,371,409</u>	<u>(363,311)</u>	<u>(12,441,178)</u>	<u>(1,630,000)</u>	<u>4,936,920</u>	<u>5,287,284</u>

Financial Conditions, Liquidity and Capital Resources

As at March 31, 2009 the Company had cash and cash-equivalents of \$1,110,037 compared to \$3,065,512 at March 31, 2008 and \$1,867,575 at December 31, 2008. The Company did not receive any cash proceeds from issuance of common shares and warrants for the three months ended March 31, 2009, compared to proceeds of \$981,093 during the same period in 2008. As at March 31, 2009, the net treasury position (current assets less prepaid expenses less current liabilities) of the Company was \$1,379,442 compared to \$2,987,442 at March 31, 2008 and \$1,964,436 at December 31, 2008.

The Company anticipates that it will continue to access grant funding under the Newfoundland and Labrador Mineral Incentive Program, Junior Exploration Assistance Program (JEA). Under JEA, eligible property expenditures may be subject to reimbursement of up to 50% of approved costs, to a maximum of \$100,000 per program on the island of Newfoundland and \$150,000 per program in Labrador. The Company has also been successful in obtaining funding from the New Brunswick Junior Mining Assistance Program. This program provides assistance for approved costs up to a maximum of \$50,000 per project.

The current recession has made it more challenging for the mineral exploration industry, including the Company, with the 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 Company has taken steps to downsize operations and exploration activities in general, and management believes that the Company will have adequate funds from existing working capital to meet its corporate, administrative and property obligations for the coming year, at a reduced level of activity. If the Company is to advance or develop its mineral properties further, it will be necessary to obtain additional financing, and while the Company has been successful in the past, there can be no assurance that it will be able to do so in the future.

Outstanding Share Data

As at March 31, 2009 the Company had 74,947,178 common shares outstanding. The Company had 5,752,252 options outstanding at March 31, 2009, at various exercise prices as shown in the following chart, and 23,853,320 warrants issued in connection with private placement financings. A total of 5,857,500 of the warrants are priced at \$0.80 and expire October 17, 2009. A total of 1,204,820 warrants are priced at \$1.00 and expire on February 28, 2010 and 16,791,000 warrants are priced at \$0.26 and expire on June 10, 2010.

<u>Total Options Outstanding</u>				<u>Total Exercisable Options</u>		
<u>Exercise Price Range</u> <u>\$</u>	<u>Number of Outstanding Options</u>	<u>Remaining Contractual Life</u>	<u>Weighted Average Strike Price</u> <u>\$</u>	<u>Number of Exercisable Options</u>	<u>Remaining Contractual Life</u>	<u>Weighted Average Strike Price</u> <u>\$</u>
0.00 - 0.19	375,000	4.99	0.10	124,997	4.99	0.10
0.20 - 0.39	2,557,585	2.65	0.31	2,064,162	2.29	0.31
0.40 - 0.59	1,428,001	2.14	0.50	1,428,001	2.14	0.50
0.60 - 0.79	1,391,666	3.19	0.66	1,299,997	3.16	0.65
	5,752,252	2.80	0.43	4,917,157	2.54	0.45

Financial Instruments

The Company has estimated fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying value of financial instruments is considered to approximate fair value, unless otherwise indicated.

Related Party Transactions

The following represents a summary of transactions with parties under common influence and shareholders for the three-month period ending March 31, 2009. Resource Concepts Inc., which is controlled by Director John Fleming, P. Geo, who serves as the Company's Vice Chairman, billed a total of \$ Nil (March 31, 2008 - \$16,100) for geological consulting and management services. Director W. John Clarke is the Company's legal counsel. He provided legal services in the amount of \$2,200 (March 31, 2008 - \$2,290) relating to various agreements and ongoing business matters. Sealán Capital Corporation Inc., controlled by Director Glen H. McKay, who serves as the Company's Chairman, billed a total of \$13,100 (March 31, 2008 - \$39,728), including management and property related consulting of \$13,100 (March 31, 2008 - \$25,600) and office services and property leasing of \$ Nil (March 31, 2008 - \$14,128). D.R. Loveys & Associates Inc., controlled by Director David Loveys, the Company's Vice President Finance, CFO and Corporate Secretary, billed a total of \$25,725 (March 31, 2008 - \$43,150) for accounting and management consulting services. These transactions are considered to be in the normal course of business. The portions of these amounts capitalized in mineral properties represent direct costs associated with the respective properties, a summary of which follows:

	<u>Expensed during the period</u>	<u>Capitalized in Mineral Properties</u>	<u>Three months ended March 31, 2009</u> <u>Total</u>	<u>Three months ended March 31, 2008</u> <u>Total</u>
	\$	\$	\$	\$
Professional & Administrative	40,625	400	41,025	87,140
Office and warehouse rent	-	-	-	14,128
	<u>40,625</u>	<u>400</u>	<u>41,025</u>	<u>101,268</u>

Acquisition and Abandonment of Mineral Properties

See Note 6 to the March 31, 2009 Consolidated Financial Statements for details of Mineral Properties. The Company's strategy is grass roots project generation followed by project level or joint venture ("JV") based exploration financing. All properties which are under consideration for acquisition must initially pass through Company generated evaluation criteria. Properties which are considered worthy are then acquired, provided a reasonable agreement can be reached with the owner or the property is available for staking. This process results in a relatively large number of properties being acquired annually with the expectation that many of these will advance to the stage where partner financing can be attracted. In cases where the project does not develop to the stage that management perceives it to be likely to attract such financing or if subsequent work by the Company indicates that further in-house work will not yield favourable results, the property is abandoned and written down.

During the last quarter of 2008, the economic downturn 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. The Company chose to write off previously deferred amounts for properties it still believes have potential, but may not be explored during the coming year. For those remaining properties where current exploration is expected to continue, a portion of deferred costs was written off in some cases to reflect the current value of these properties.

Off-Balance Sheet Arrangements

At March 31, 2009, the Company had no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Property Agreements and Exploration

Details of JV property agreements are disclosed by press release at the time of formation. Updates concerning the results of ongoing exploration programs are also updated by press release. Press releases issued by the Company, including those issued during the three months ended March 31, 2009, are archived at the Company's website www.cornerstoneresources.com. Regulatory filings are also available through www.sedar.com.

Exploration Outlook

Our financial plans were heavily reliant on our projects in Ecuador. We were expecting imminently the drill permits for Gama (Coastport Capital Inc. Joint Venture) and positive results from Macara (Newmont Mining Corporation Strategic Alliance). We expected to generate new joint ventures based on the level of interest and discussions with interested parties. The moratorium imposed by the Ecuador Constituent Assembly on April 18, 2008 caught the industry by surprise. Subsequent to this announcement the Company had to carry out a substantive reorganization of human and financial resources.

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.

Investor Relations Activities

The Company continues to work at broadening its investor base through strategic marketing and on-going investor communications through timely news releases and regular targeted updates. For 2009, the Company will focus on low-cost, grass roots initiatives to communicate with both private and institutional investors. Important news on projects will continue to be disclosed as it becomes available.

Risks and Uncertainties

The Company is principally involved in mineral exploration which is an inherently high-risk activity. Exploration is also capital intensive and the Company has no sources of funding other than joint venture financing arrangements with other mining and exploration companies and equity financing. Only the skills of management and staff in mineral exploration and exploration financing serve to mitigate these risks. The ability of the Company to continue operations into the future is dependant upon continuing to obtain favourable results from its exploration activities, which will affect its ability to attract joint venture partners and to raise financing. The participation of joint venture partners is very important to the future success of the Company.

The Company has a simple business model, one which is as low risk as possible in such a high risk business as mineral exploration: to generate diversified exploration projects at low cost to the Company, to attract JV partners to finance further exploration and to be the operator on the majority of these projects which allows the Company to transfer personnel and administration costs to the JV, thereby maintaining a lower burn rate. The more projects that can be generated and the longer the company can obtain financing the better its chances for achieving success. The Company has implemented this business model. It has a solid foundation technically, corporately and financially to go forward and be positioned for future success.

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. Exploration activity is also dependent on the laws of local governments, including aboriginal governing bodies, which may change from time to time, and may have an effect on the Company's exploration programs.

Ecuador Operations – 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 finalized its new mining law. The original term of the moratorium was for 180 days, but this timeframe was extended until finalization of the new mining law. 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. The outcome of this new law is uncertain, and the Company has had to reduce operations in Ecuador to a minimum. The Company will continue to work with joint venture partners and the government of Ecuador to help develop a new framework for responsible mining.

Current Economic Conditions – During late 2008 and early 2009, Canadian and international markets have experienced a severe downturn, which has had an impact on the mineral exploration industry. The Company has taken steps to significantly reduce administrative expenses and is assessing its exploration programs in an effort to conserve its cash position.

Selected Annual Information

The following information has been derived from the three most recently completed annual financial statements:

As at December 31,	2008	2007	2006
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net loss	(9,294,071)	(4,307,721)	(3,248,363)
Loss per share - basic and diluted	(0.14)	(0.08)	(0.07)
Total assets	8,638,111	13,350,465	14,508,765

Summary of Quarterly Results

The following information has been derived from the eight most recently completed quarters:

	March 31, 2009	December 31, 2008	September 30, 2008	June 31, 2008
	<u>\$</u>			
Net loss	(403,515)	(6,463,023)	(1,329,150)	(804,631)
Loss per share - basic and diluted	(0.01)	(0.10)	(0.02)	(0.01)
	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007
	<u>\$</u>			
Net loss	(697,267)	(1,012,696)	(1,618,906)	(1,163,968)
Loss per share - basic and diluted	(0.01)	(0.02)	(0.03)	(0.02)

Significant Events

Appointments, Joint Ventures & Strategic Alliances and Financings;

As of March 31, 2009, the Company had four joint venture agreements in place and is operator on three of these projects.

Appointments and resignations:

On April 16, 2009, H. Brooke Macdonald was appointed to the board of directors. Mr. Macdonald is a Miami-based lawyer with over 20 years experience in the mining industry, specializing in exploration and mine development. During the past four years, Mr. Macdonald was Vice President Legal Affairs of Skye Resources Inc. until its recent acquisition by HudBay Minerals Inc. Previously he worked with Placer Dome as legal counsel and later as country manager in Venezuela responsible for permitting and developing the Las Cristinas gold project. Prior to joining Placer, he practiced law with Baker & McKenzie in Venezuela for four years. Mr. Macdonald also holds other directorships in the junior mining sector. Mr. Macdonald earned his law degree from Queen's University in Ontario and is a member of the New York Bar.

Joint Ventures & Strategic Alliances:

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 \$611,370 related to this project have been transferred as a reduction to the value of the Mineral Properties.

Management's Responsibility for Financial Statements

The Board of Directors carries out its responsibility for the consolidated financial statements primarily through the audit committee which is composed of independent, non-executive directors who meet periodically with management and independent auditors to review financial reporting and internal control matters.

Internal Control over Financial Reporting - Management is responsible for the establishment and maintenance of a system of internal controls over financial reporting. This system has been designed to provide reasonable assurance that assets are safeguarded and that the financial reporting is accurate and reliable. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles (GAAP) and in accordance with accounting policies set out in the notes to the consolidated financial statements for the quarter ended March 31, 2009.

In compliance with Form 52-109F1 of Multilateral Instrument 52-109, management must disclose in its MD&A any material weakness found to exist within its system of internal control over financial reporting. Management has identified a material weakness during the period in lack of segregation of duties. The management group of the Company is small and full segregation of all duties has not been

possible throughout the year. This is a typical issue for smaller companies. Management believes, however, that the risks associated with the lack of segregation of duties have been mitigated by the implementation of other controls. The Audit Committee has direct oversight responsibilities for the review and approval of the quarterly and annual financial disclosures and the Company has qualified senior accounting personnel engaged on a full time basis to manage the Company's financial disclosures.

Evaluation and Effectiveness of Disclosure Controls and Procedures - The Company has established and maintains disclosure controls and procedures over financial reporting. The certifying officers have evaluated the effectiveness of the issuer's disclosure controls and procedures as of March 31, 2009, and have concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in annual and quarterly filings.

Adoption of New Accounting Standards

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 after January 1, 2008. The Company adopted changes as follows: amendments to Handbook Section 1400, General Standards of Financial Statement Presentation, as well as new presentation and disclosure standards for: Capital Disclosures (Section 1535), Financial Instruments – Disclosures (Section 3862), and Financial Instruments – Presentation (Section 3863). These changes are explained in further detail in Note 2 to the March 31, 2009 consolidated financial statements.

Future Accounting Pronouncements

In February 2008, the CICA Accounting Standards Board confirmed the changeover to International Financial Reporting Standards (IFRS) from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. This adoption date will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010. The Company has commenced a conversion process and has established a formal plan, including Audit Committee and Board of Director involvement, as well as input from consultants. As the IFRS conversion planning process is still in the early stages of development, the impact on the Company's consolidated financial statements has not yet been determined. The Company will provide further updates in future quarterly and annual disclosures, as the conversion progresses.

Subsequent Events

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 \$675,000 US, 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.

Other

During the third quarter of 2008, the Company's information was made available via Standard & Poor's Factual Stock Reports, which are detailed reports of the Company's quarterly information. These Factual Stock Reports are updated weekly by Standard and Poor's and have wide distribution. A

link to the current report has been made available on the Company's website.

The Company's shares are traded on the TSX Venture Exchange under the stock symbol CGP as well as the over the counter market in the USA under the symbol CTNXF. The Company is also listed on the Frankfurt and Berlin Stock Exchanges under the stock symbol GWN.

Financial Statements and press releases issued by the Company, including those issued during the quarter ended March 31, 2009, and other information concerning the Company are archived at the Company website www.cornerstoneresources.com. Regulatory filings are also available through www.sedar.com.