



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

To December 31, 2007

CORNERSTONE CAPITAL RESOURCES INC.

Consolidated Results To December 31, 2007

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

The following discussion and analysis, dated March 20, 2008, 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. (the "Company") 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., La Plata Minerales S.A., Cornerstone Capital Resources Mauritius Inc., Newfoundland Exploration Private Limited, CCRI Exploration Private Limited and Land Minerals Exploration Private Limited are wholly owned subsidiaries involved in mineral exploration and development. The Company's properties, all located in Canada and Ecuador, have potential for economic deposits of base and precious metals and industrial minerals.

Results of Operations

The twelve-month period ending December 31, 2007 compared with the twelve-month period ending December 31, 2006.

At January 1, 2007, exploration properties held by the Company totalled 5,131 claims. During the year, a number of property claims were dropped and additional claims were staked and acquired, leaving the Company with a total of 7,709 claims in Canada and 30 claims in Ecuador at the end of December 2007.

During the twelve month period ending December 31, 2007 the Company had a net loss of \$4,307,721 - \$0.08 per share (compared to a net loss of \$3,248,363 - \$0.07 share for the same period in 2006). Expenses incurred during the twelve-month period ending December 31, 2007 were \$4,734,864 compared to \$3,945,883 for the same period in 2006. The increase of \$788,981 during the period was

due to a number of factors, the most notable of which are:

1. General and administrative expenses increased by \$675,671, due primarily to the following:

-Professional and consulting fees increased by \$200,866 due mainly to a higher requirement for general consulting services as opposed to consulting for specific properties during 2007 compared to 2006.

-Wages and employee benefits increased by \$82,074 during the year due to increased activities and the requirement for more general employees in both Canada and Ecuador whose activities were not directly related to specific properties.

-Administrative expenses increased by \$157,227 during the year due mainly to increased general and administrative activity requirements in Ecuador compared to direct property related expenditures. This was due to the general increase in activity in that country.

-Office expenses increased by \$72,826 in 2007 compared to 2006 due to increased staff and general increases in activities for the year not directly attributable to properties.

2. Stock-based compensation increased by \$220,743 due primarily to a higher number of options issued relative to the prior year.

3. Mineral property costs abandoned decreased by \$214,602 as fewer properties were determined to be inactive during the current year compared to 2006.

4. Foreign exchange loss increased by \$127,894 during 2007 as a result of significant activities in foreign currencies this year and the significant reduction in value of the US dollar, as the Company has accounts receivable and cash in US dollars.

5. Amortization increased by \$81,766 due to additional requirements for capital equipment this year.

6. Interest and bank charges decreased by \$4,196, due to efficiencies in cash management and treasury activities in the current year compared to 2006.

Revenue for the year was \$427,143 compared to \$239,100 in 2006. This increase of \$188,043 was mainly due to a \$213,046 adjustment resulting from option payments that were forfeited by a joint venture partner during the year that had been previously deferred.

Mineral properties

Total capitalized expenditures on mineral properties as at December 31, 2007 were \$7,968,640 compared to \$5,867,591 as at December 31, 2006. Net mineral property expenditures of \$3,817,408 were incurred during the twelve month period ending December 31, 2007 compared to \$1,911,646 during the same period in 2006. Included in the net mineral property expenditures are recoveries from Joint Venture Partners and Government grants of \$6,212,377 compared to \$5,672,920 for the same period in 2006. Expenditure recoveries from JV partners were higher in 2007 than 2006 due to the continued growth of the joint venture projects undertaken by the Company in 2007.

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

Property	Gross Expenditures	Government Grants (JCEAP)	Recoveries		Properties Abandoned	Net Total Dec 31/07	Net Total Dec 31/06
			Venture Partners	from Joint			
		\$	\$		\$	\$	\$
Aucoin	236,898	23,193	-	-	-	213,705	203,407
Burin	471,055	-	-	-	-	471,055	-
Cape Ray	1,665,700	83,810	1,473,142	-	-	108,748	133,433
Codroy Valley	498,884	66,213	389,830	42,841	-	-	77,751
Deer Lake Uranium	200,617	-	11,500	-	-	189,117	6,301
Ecuador	13,053,164	-	10,200,972	-	-	2,852,192	2,318,479
El Strato	1,101,406	166,841	637,376	-	-	297,189	363,647
Green Bay Gold	501,144	90,040	294,599	-	-	116,505	107,450
India	825,808	-	-	825,808	-	-	244,158
Island Pond	215,205	34,162	120,323	60,720	-	-	60,721
Konrad	1,842,776	-	800,115	-	-	1,042,661	350,189
Labrador	125,428	-	-	14,190	-	111,238	157,281
Labrador Trough	177,606	-	-	-	-	177,606	-
Long Harbour	152,735	-	-	-	-	152,735	146,373
Noel Paul's Brook	525,491	102,795	395,357	-	-	27,339	62,338
Paul's Pond	32,243	-	-	-	-	32,243	32,076
Porterville	97,983	-	-	-	-	97,983	94,654
Red Cliff	1,378,491	76,370	655,267	-	-	646,854	644,872
True Grit	287,572	118,800	17,794	-	-	150,978	132,429
Dorchester	152,371	-	143,134	-	-	9,237	-
Goshen	45,506	-	-	-	-	45,506	-
Elgin	75,135	-	12,106	-	-	63,029	-
Little Deer	433,104	-	-	-	-	433,104	-
Other Properties	928,022	-	114,596	83,810	-	729,616	732,032
	<u>25,024,344</u>	<u>762,224</u>	<u>15,266,111</u>	<u>1,027,369</u>		<u>7,968,640</u>	<u>5,867,591</u>

Financial Conditions, Liquidity and Capital Resources

As at December 31, 2007, the Company had cash and cash-equivalents of \$3,721,802 compared to \$5,793,498 at December 31, 2006. The Company received net cash proceeds of \$3,283,115 from the issuance of common shares and warrants during the twelve-month period ending December 31, 2007 compared to \$7,258,758 during the same period in 2006. The 2006 amount included \$3,878,899 from exercise of warrants which were called by the Company.

On October 17, 2007, the Company completed a non-brokered private placement of 5,500,000 units at a price of \$0.55 per unit. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.80 for two years

following the 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. A finder's fee of 6.5% was payable in units to dealers who assisted in the placement. Of the total proceeds of \$3,025,000, \$937,200 was allocated to warrants.

As at December 31, 2007, the net treasury position (current assets less prepaid expenses less current liabilities) of the Company was \$3,640,355 compared to \$6,870,033 for the same period in 2006.

A very significant source of funding for the Company's exploration programs are its earn-in / joint venture agreements with several mining industry partners. These partners are funding the exploration of individual properties, or groups of properties, in exchange for direct ownership in the properties, should all vesting conditions be met. Annual cash payments to the Company are often a component of these agreements. For the twelve months ending December 31, 2007, these annual cash payments from JV partners related to new and existing joint venture agreements were \$336,588 (compared to \$292,268 for the same period in 2006).

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. During 2007, the Company was also 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.

Management has estimated that the Company will have adequate funds from existing working capital to meet its corporate administrative and property obligations for the coming year. If the Company is to advance or develop its mineral properties further, it may 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 December 31, 2007, the Company had 56,972,419 common shares outstanding. The Company had 9,243,001 options outstanding at December 31, 2007, at various exercise prices as shown in the following chart. The Company had 10,232,500 warrants outstanding at December 31, 2007. A total of 4,375,000 of these were issued in connection with a May 25, 2006 financing and are exercisable at \$1.10 until May 25, 2008. The balance of 5,857,500 were issued in connection with the October 17, 2007 financing and are exercisable at \$0.80 until October 17, 2009. These October 17, 2007 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.

<u>Total Options Outstanding</u>				<u>Total Exercisable Options</u>		
<u>Exercise Price Range</u> \$	<u>Number of Outstanding Options</u>	<u>Remaining Contractual Life</u>	<u>Weighted Average Strike Price</u> \$	<u>Number of Exercisable Options</u>	<u>Remaining Contractual Life</u>	<u>Weighted Average Strike Price</u> \$
0.25 - 0.39	1,434,000	1.78	0.34	1,434,000	1.78	0.34
0.40 - 0.54	3,279,001	3.21	0.49	3,245,667	3.21	0.49
0.55 - 0.69	4,205,000	4.32	0.64	1,476,649	4.30	0.64
0.70 - 0.84	325,000	4.80	0.75	108,331	4.80	0.75
	9,243,001	3.55	0.54	6,264,647	3.16	0.50

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 year ending December 31, 2007. Resource Concepts Inc., which is controlled by Director John Fleming, P. Geo, who serves as the Company's Chairman, billed a total of \$53,625 for geological consulting and management services. Director W. John Clarke is the Company's legal counsel. He provides legal services in the amount of \$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 President and CEO, billed a total of \$234,515, including management and property related consulting \$153,600, accounting and clerical services \$24,407 and office services and property leasing \$56,508. D.R. Loveys & Associates Inc., controlled by Director David Loveys, the Company's Vice President Finance, CFO and Corporate Secretary, billed a total of \$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 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 Year</u>	<u>Capitalized in Mineral Properties</u>	<u>Twelve months ended December 31, 2007</u> <u>Total</u>	<u>Twelve months ended December 31, 2006</u> <u>Total</u>
	\$	\$	\$	\$
Professional & Administrative	440,117	27,275	467,392	434,647
Office and warehouse rent	56,508	-	56,508	49,380
	<u>496,625</u>	<u>27,275</u>	<u>523,900</u>	<u>484,027</u>

Acquisition and Abandonment of Mineral Properties

See Note 6 to the December 31, 2007 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 projects 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.

Commitments

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

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

	Cash	Shares
	\$	#
2008	65,000	115,000
2009	127,500	120,000
2010	130,000	30,000
2011	40,000	40,000
	<hr/> 362,500	<hr/> 305,000

b. Minimum annual lease payments on vehicle and equipment leases during the next two years are as follows:

	\$
2008	18,945
2009	15,413

Off-Balance Sheet Arrangements

At December 31, 2007, 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 year ended December 31, 2007, are archived at the Company website www.cornerstoneresources.com. Regulatory filings are also available through www.sedar.com.

Exploration Outlook

The Company will continue to leverage the value of its properties during 2008. Joint venture funding agreements are in place for several of the Company's properties that ensure a substantial amount of exploration work. The Company will also undertake work on some wholly owned projects. Discussions with potential partners are currently underway with respect to several wholly owned properties. New property acquisitions are ongoing.

Investor Relations Activities

During 2007, Company representatives participated in several investment conferences such as the Vancouver Resource Investment Conference, the Orlando World Money Show, the New York Triple Gold Investment Conference, the Natural Resources Summit of Americas in the Bahamas, the Latin American Mining Congress in Miami, the New York Hard Assets Conference, the Stanberry Research & Associates Conference in Long Beach, California, the Vancouver Cambridge Conference, Expo Labrador, Agora Financial Investment Symposium in Vancouver, the Resource Investor Forum in St. John's, the New Orleans Investment Conference, Casey's Gold and Silver Summit in Denver, and the San Francisco Hard Assets Conference.

The Company also participated in core technical conferences such as the PDAC Convention in Toronto, the BC Mineral Exploration Round-Up, and the Newfoundland and Labrador Mineral Resources Review.

In 2007, the Company retained the services of Renmark Financial Communications Inc. to implement a market awareness program. Renmark's goal is to strengthen the Company's profile in the financial community as well as enhance the visibility of the Company's project portfolio. Renmark also facilitated several presentations to brokers in Montreal, Ottawa, Quebec City, and Halifax.

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, which may change from time to time, and may have an effect on the Company's exploration programs.

Selected Annual Information

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

As at December 31,	2007	2006	2005
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net loss	(4,307,721)	(3,248,363)	(1,685,857)
Loss per share - basic and diluted	(0.08)	(0.07)	(0.06)
Total assets	13,350,465	14,508,765	7,414,033
Cash dividends per share	-	-	-
Long term liabilities	-	-	-

Summary of Quarterly Results

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

	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007
	\$	\$	\$	\$
Net loss	(1,012,696)	(1,618,906)	(1,163,968)	(512,151)
Loss per share - basic and diluted	(0.02)	(0.03)	(0.02)	(0.01)

	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
	\$	\$	\$	\$
Net loss	(1,532,674)	(457,623)	(831,660)	(426,406)
Loss per share - basic and diluted	(0.03)	(0.01)	(0.02)	(0.01)

Significant Events

Joint Ventures, Appointments, Strategic Alliances and Financings;

At December 31, 2007, the Company had seven joint venture agreements in place and is operator on three of these projects.

Joint Ventures/Strategic Alliances

On January 29, 2007, the Company signed a Letter of Intent with Cash Minerals Ltd. ("Cash Minerals") and on April 17, 2007 entered into a joint venture agreement on the Company's 100% wholly owned Aillik uranium property in the Central Mineral Belt (CMB), Labrador. The Company staked the Aillik claims in November 2006 after the land was opened for staking following implementation of the Nunatsiavut land claims agreement. The Aillik property comprises 162 claims (40.5 km²) adjoining Aurora Energy Resources' holdings in the CMB, an emerging uranium district. The CMB contains several uranium deposits and prospects including the Otter Lake prospect, which lies immediately west of the Aillik claims, and the Jacques Lake prospect to the north. The Joint Venture agreement to be concluded as per the Letter of Intent will give Cash Minerals the right to earn a 51% interest in the Aillik property by spending \$3 million on exploration and paying the Company a total of \$300,000 cash and issuing 300,000 stock warrants to the Company over a four-year period. Cash Minerals will be the operator during the earn-in period.

On February 26, 2007, the Company announced the signing of a Letter Agreement, and subsequently announced the signing of a Joint Venture Agreement with Mountain Lake Resources Inc. ("Mountain Lake") 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 grants Mountain Lake the right to earn a 51% interest in the property by spending \$2.75 million on exploration over five years. The first year's \$150,000 expenditure is a firm commitment and includes completion of a diamond drilling program. The agreement also calls for Mountain Lake to issue 200,000 common shares to the Company over five years, including 25,000 to be issued on signing of the Letter agreement. With an active exploration program already underway on its Bobby's Pond Mining Lease,

Mountain Lake will be operator of the joint venture during the earn-in period. On Mountain Lake earning a 51% interest, a Joint Venture will be formed whereby both parties will have the right to maintain their respective interests by funding their respective share of exploration costs. Under certain conditions Mountain Lake may increase its interest by up to 75%. Either party may dilute its interest, based on exploration expenditures. If either party's interest falls to 10% or less, its interest will convert to a 2% NSR.

On May 1, 2007 the Company and Thundermin Resources Inc. ("Thundermin") (collectively, the "LDJV") have signed a letter of intent ("LOI") with Weyburn Investments Ltd. ("Weyburn") which gives the LDJV an option to acquire a 100% interest in the past-producing Little Deer copper deposit and adjacent property (the "Weyburn Property") located 10 km north of Springdale in north-central Newfoundland. The Weyburn property consists of 78 claims (1950 ha) comprising the Little Deer and Duck Pond Mineral Licenses (10215M and 10214M), which cover the past-producing Little Deer copper deposit and potential southwest extensions near Duck Pond, plus four additional Mineral Licenses located east of the Little Deer License. In addition to the Weyburn Property, the LDJV also holds the Company's 232 claim Mineral License 12196M (5,800 ha) which essentially surrounds the Little Deer and Duck Pond licenses on three sides and covers a gap that exists between these two licenses (collectively the "LDJV Property"). The LDJV has commenced an aggressive exploration program on the Little Deer property. This work will consist of diamond drilling, borehole geophysical and geological mapping surveys and grid reconstruction. Under the terms of the LOI with Weyburn, the LDJV has an option to acquire a 100% interest in the Weyburn Property by making the following option payments in cash and/or shares of equal value in each of Thundermin and the Company, at each of Thundermin's and the Company's respective election: CDN \$170,000 upon the execution and delivery of the Agreement (the "First Payment"); \$115,000 on or before the 2nd anniversary of the Agreement (the "Second Payment"); \$200,000 on or before the 3rd anniversary of the Agreement (the "Third Payment")(should the LDJV make the second payment, then the Third Payment becomes a commitment of the LDJV); and an amount on or before the 4th anniversary of the Agreement (the "Buyout Amount") depending on the size of the mineral resource defined on the Weyburn Property (the "Buyout Mineral Resource"). The Buyout Amount will commence at \$1,500,000 for a deposit of < 4,500,000 tonnes ("t") and range up to \$5,000,000 for a deposit of 10,000,000 t. The LDJV will pay to Weyburn an additional \$250,000 for each additional 500,000 t of Buyout Mineral Resource in excess of 10,000,000 t. All tonnes not paid for as at the date the Buyout Amount is determined will be paid for on the basis of tonnes mined and milled in the future. The LDJV has agreed to spend a minimum of \$850,000 on the Weyburn Property on or before the second anniversary of the Agreement, a minimum of \$500,000 of which shall be spent on or before the first anniversary of the Agreement. All additional expenditures on the Weyburn Property above \$850,000 are at the LDJV's sole option and discretion. Subject to the LDJV making the Second Payment, the making of any option payments beyond what is due to Weyburn upon the execution and delivery of the agreement, including the payment of the Buyout Amount, is at the LDJV's sole option and discretion. The LDJV will be responsible for the payment of a 2% net smelter returns royalty ("NSR") payable to a third party on the Little Deer License, 50% of which can be repurchased for \$1,000,000, and the payment of a 3% NSR to third parties on the Duck Pond License. Should the LDJV place into production an orebody discovered on Mineral Licenses 11043M, 11184M, 11187M or 11237M, the LDJV is to pay a 1.5% NSR royalty to Weyburn, 50% of which can be repurchased by the LDJV for \$1,000,000. The LDJV will be a 50/50 joint venture between Thundermin and the Company with Thundermin as operator. Once the LDJV has acquired sufficient exploration drill data to prepare a Mineral Resource Report, Thundermin, at its sole discretion and cost, has the right to carry out a detailed study to determine the economic viability of

putting the resources that are the subject of the Mineral Resource Report into commercial production (the "Feasibility Study"). By unilaterally electing to bear the cost of the Feasibility Study, Thundermin will earn an additional 15% undivided interest in the LDJV. Thundermin shall have the further right to increase its undivided interest in the LDJV by an additional 10% by arranging 100% of the necessary bank financing required to place the mineral resource that was the subject of the Feasibility Study into commercial production.

On August 29, 2007, the Company announced a Joint Venture/Earn-in Agreement with Phelps Dodge Corporation of Canada, Limited ("Phelps Dodge"), a wholly owned subsidiary of Freeport-McMoRan Copper & Gold Inc., to explore for sediment-hosted, stratiform copper (SSC) deposits in the Maritimes Sedimentary Basin of southeastern New Brunswick. This initiative is an extension of the Company's previous work in the Codroy Sedimentary Basin of Southwestern Newfoundland, where a joint venture was also undertaken with Phelps Dodge in 2005. The Earn-in Agreement will be structured in two phases during the 4 year earn-in period. During Phase I (Year 1), the work will consist of mapping and prospecting focused on defining drill targets along the Dorchester Mine horizon, north of the historic mine, and at the Goshen Prospect. In this first phase, Phelps Dodge will make cash payments to the Company of US\$25,000 and the two companies will jointly fund a US\$175,000 exploration program to which Phelps Dodge will contribute US\$100,000 (57%) and the Company US\$75,000 (43%). On completion of Phase I, Phelps Dodge may elect to enter into Phase II, whereby it can earn a 51% interest in the property by spending US\$3 million on exploration and making cash payments to the Company totaling US\$225,000 over three years. Upon earn-in, the Company may elect to participate at 49% or give Phelps Dodge the option, under certain conditions, to increase its interest to 75%. The Company also received a CDN\$40,000 grant from the New Brunswick Department of Natural Resources, under their Junior Mining Assistance Program (JMAP), to conduct exploration on the Dorchester Property.

On October 15, 2007, the Company was advised by Coastport Capital Inc. that it had decided not to exercise its option to earn up to a 70% interest in the La Plata project in Ecuador. Coastport funded a Phase 1 and 2 drilling program for a total cost of approximately US\$3 million. On December 31, 2007 the Company exercised its option to earn a 51% interest in this project from its Ecuadorian partner, Sultana del Condor SA.

On December 31, 2007, Cornerstone Ecuador S.A. (CESA), a wholly owned Ecuador subsidiary of the Company, exercised its option to earn a 100% interest in mineral concessions in southeastern Ecuador acquired from Sierra Minera (Sierramin) S.A., a private Ecuadorian mining and mineral exploration company. The concessions involved include the Shyri group of concessions on which the GAMA and other projects are located. The Sierramin agreement, announced February 25, 2005, gave the Company the right to acquire an undivided 100% interest in the properties by incurring exploration expenditures of US\$1.15 million, making cash payments of US\$200,000, and issuing shares of the Company to the value of US\$200,000 over four years. Having met the expenditure requirements, the Company accelerated the cash payments and share issuances and earned in as of December 31, 2007.

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

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

During 2007, the Company was pursuing potential exploration projects in India. Given the uncertainties of future exploration activities in this country however, the Company has decided to write off costs incurred to date for the India properties. The above companies will remain incorporated, but all are currently inactive.

Financing

On October 17, 2007, the Company completed a non-brokered private placement of 5,500,000 units at a price of \$0.55 per unit. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.80 for two years following the closing. A finder's fee of 6.5% was payable in units to dealers who assisted in the placement. Global NR Holdings SA, a Luxembourg-based holding company which is controlled by the Lundin family, purchased 3.0 million units, and Exploration Capital Partners, which is controlled by the Rule Family Trust, purchased 2.0 million units. Other investors included Doug Casey and the Casey Early opportunity Resource Fund.

Appointments

On November 2, 2007, the Board of Directors appointed Mr. Ian Slater to the Board. Mr. Slater was nominated by the Lundin Group of Companies following completion of the recent private placement that saw Global NR Holding SA, a Luxembourg-based holding company controlled by the Lundin family, become a shareholder in the Company. Ian Slater is President and CEO of Fortress Minerals Corp. He is a Chartered Accountant with over 16 years experience in international finance in the global resource sector. Prior to joining Fortress, Mr. Slater was a Partner with Ernst & Young, where he led their Canadian mining practice, and before that a Partner with Arthur Andersen, where he founded and led their mining practice in Central Asia for 6 years. The Company also announced senior management and Board appointments at Cornerstone Ecuador SA (CESA) and La Plata Minerales SA (LPSA), wholly owned subsidiaries of the Company. Mr. Yvan Crepeau has been named a Director and President of CESA and LPSA, and Mr. César Zumarraga was appointed Vice President of each in addition to his duties as Director. Mr. David Loveys was appointed a Director of CESA and LPSA, joining Mr. Zumarraga and Ms. María Antonieta Loza Laspina to make up the Board of Directors of each company. Mr. Crepeau and Mr. Loveys replace Mike Basha as, respectively, President and Director of CESA and LPSA. Mr. Basha is Executive Vice President and a Director of the Company. Yvan Crepeau is a Geologist with over twenty years of diversified experience in the evaluation and management of exploration projects in North, Central and South America and in Asia. In addition to a BSc in Geology from the University of Montreal, he holds an MBA from HEC in Montreal, specializing in International Management. Mr. Crepeau resides in Quito, Ecuador, where for the last 15 months he has been CESA's Country Manager. César Zumarraga is a partner in the Quito law firm Tobar y Bustamente. He is a graduate of the Catholic University of Ecuador, Law School (J.D., 1994); Simon Bolivar Andean University (Master, Public Contracts and Privatization, 1999; Master, Taxation, 2000); and Harvard Law School (Negotiation Course, 1998). In his professional practice, Mr. Zumarraga has been Private Secretary to the Attorney General of the State, 1992-1995, and a partner in the law firm Serrano Puig, 1995-2001. He has also worked in the Quito Chamber of Commerce,

Arbitration Center (Secretary, ten terms); the Quito Chamber of Construction, Arbitration Center (Arbitrator); and as Representative in Ecuador of the Canadian Commercial Corporation. Mr. Zumarraga is also a professor in the University of the Americas (UDLA) School of Law, and a member of the Quito Bar Association, the Inter-American Bar Association, and the Ecuadorian-Canadian Chamber of Commerce. David Loveys, CA, is a Director of the Company and the Company's Vice President Finance and Chief Financial Officer.

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 year ended December 31, 2007.

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 year 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, and while the Company has experienced significant growth during 2006 and 2007 to date, and has added additional staff during the year, which strengthens the segregation of duties, there still exists a lack of such segregation of duties. Management believes, however, that the risks associated with the lack of segregation of duties during part of the year 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 December 31, 2007, and have concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in annual filings.

Subsequent Event

On February 29, 2008, the Company completed a private placement with Newmont Mining Corporation of Canada Limited (Newmont) for total proceeds of US\$1.0 million. 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.

Other

On May 24th, 2005, the Company announced that its company information will be made available via Standard & Poor's Market Access Program, an information distribution service that enables subscribing publicly traded companies to have their company information disseminated to users of Standard & Poor's Advisor Insight. The company information to be made available through this program includes share price, volume, dividends, shares outstanding, company financial position, and earnings. Standard & Poor's Advisor Insight is an Internet-based research engine used by more than 100,000 investment advisors. A public version of the site is available at www.advisorinsight.com.

In addition, information about companies in Standard & Poor's Market Access Program will be available via S&P's Stock Guide database, which is distributed electronically to virtually all major quote vendors. As part of the program, a full description of the Company will also be published in the Daily News section of Standard Corporation Records, a recognized securities manual for secondary trading in approximately 37 states under the Blue Sky Laws. The trading symbol in the over the counter market in the USA is "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 2007, and other information concerning the Company are archived at the Company website www.cornerstoneresources.com. Regulatory filings are also available through www.sedar.com.