CORNERSTONE

Management's Discussion & Analysis of

Financial Conditions & Results of Operations

To December 31, 2008

CORNERSTONE CAPITAL RESOURCES INC.

Consolidated Results
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The following discussion and analysis, dated April 27, 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 year ending December 31, 2008 compared with the year ending December 31, 2007.

At January 1, 2008, exploration properties held by the Company totalled 7,739 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 11,516 claims in Canada and 28 concessions in Ecuador at the end of December 2008.

During the year ended December 31, 2008 the Company had a net loss of \$9,294,070 - \$0.14 per share (compared to a net loss of \$4,307,721 - \$0.08 per share for the same period in 2007). Expenses incurred during the year ended December 31, 2008 were \$9,590,617 compared to \$4,734,864 for the same period in 2007. The increase of \$4,855,753 during the period was due to a number of factors, the most notable of which are:

1. ***General and administrative expenses*** remained in line with 2008, with only a slight increase of $71,151, or 3% higher than the same period in 2007.
2. ***Write-down of mineral properties*** increased significantly, by $4,854,110 in 2008 compared to 2007. Due to the significant economic downturn experienced in the latter part of 2008, the Company wrote off any properties where exploration activity was not expected to occur in the near future. For those remaining properties it reduced the level of deferred mineral costs in some cases to reflect their value.
3. ***Unrealized loss on value of marketable securities of*** $953,802 was recognized during the current year, as losses on marketable securities held were estimated to be other than temporary. In the past, these losses were classified as Other Comprehensive Losses and were not reflected in the Consolidated Statement of Loss and Deficit.
4. ***Stock-based compensation*** decreased significantly, by $929,674 due primarily to lower share prices relative to options issued during the same period last year, as well as a much lower number of option grants issued during 2008. During the second quarter 2008 approximately 4,000,000 stock options were voluntarily cancelled by directors, officers and employees of the Company and replaced with approximately 1,000,000 new lower priced options.
5. ***Amortization*** increased by $38,771 during 2008 compared to 2007 due to additional capital equipment acquisitions during late 2007 and early 2008.
6. ***Foreign exchange loss*** decreased by $165,345 in 2008 compared to 2007 as the Company recognized gains on its US dollar cash and receivables due to the favourable US dollar exchange rate.

Revenue for the year was $296,546 compared to $427,143 in 2007, a decrease of $130,597, mainly due to a reduction in option payments forfeited by joint venture partners and lower investment income in 2008.

<u>Mineral properties</u>

Total capitalized expenditures on mineral properties as at December 31, 2008 were $5,287,284 compared to $7,968,640 at December 31, 2007. Net mineral property expenditures of $3,131,044 were incurred during the year ending December 31, 2008 compared to $3,817,408 in 2007 during the same period in 2007. Included in the net mineral property expenditures are recoveries from Joint Venture Partners and Government grants of $1,308,928 compared to $6,212,377 for the same period in 2007. Expenditure recoveries from JV partners are significantly lower for the year 2008 over 2007 due to the significantly decreased exploration work undertaken in Ecuador during 2008 as compared to 2007.

Consolidated Schedule of Mineral Properties

Property	Gross Expenditures	Government Grants (JCEAP)	Recoveries from Joint Venture Partners	Properties Abandoned	Net Total Dec 31/08	Net Total Dec 31/07
		$	$	$	**$**	$
Aucoin	238,795	(23,193)	-	(215,602)	**-**	213,705
Burin	621,453	-	-	(300,000)	**321,453**	471,055
Cape Ray	1,699,068	(83,810)	(1,473,142)	(142,116)	**-**	108,748
Chaleur	259,054	-	-	-	**259,054**	-
Codroy Valley	36,477	-	-	(36,477)	**-**	-
Deer Lake Uranium	214,414	(48,941)	(11,500)	(153,973)	**-**	189,117
Dorchester	233,695	(40,000)	(169,721)	(23,974)	**-**	9,237
El Strato	1,110,489	(166,841)	(637,376)	-	**306,272**	297,189
Elgin	90,609	-	(12,106)	-	**78,503**	63,029
Goshen	300,957	-	-	-	**300,957**	45,506
Green Bay gold	501,144	(90,040)	(294,599)	(116,505)	**-**	116,505
Konrad	2,030,747	-	(800,115)	(1,230,632)	**-**	1,042,661
Labrador	643,217	-	(170,122)	(473,095)	**-**	581,403
Labrador Trough	1,073,131	-	(415,297)	(330,000)	**327,834**	177,606
Little Deer	1,268,118	(50,000)	-	-	**1,218,118**	433,104
Long Habour	153,888	-	-	(153,888)	**-**	152,735
Noel Paul's Brook	525,491	(102,795)	(395,357)	(27,339)	**-**	27,339
Paul's Pond	32,243	-	-	(32,243)	**-**	32,243
Porterville	97,983	-	-	(97,983)	**-**	97,983
Red Cliff	1,378,491	(76,370)	(655,267)	(646,854)	**-**	646,854
South America	14,678,102	-	(10,674,737)	(1,594,031)	**2,409,334**	2,852,192
True Grit	316,709	(118,800)	(17,794)	(180,115)	**-**	150,978
Other Properties	388,025	(49,554)	(146,059)	(126,653)	**65,759**	259,451
	27,892,300	(850,344)	(15,873,192)	(5,881,480)	**5,287,284**	7,968,640

Financial Conditions, Liquidity and Capital Resources

As at December 31, 2008 the Company had cash and cash equivalents of $1,867,575 compared to $3,721,802 at December 31, 2007. The Company received net cash proceeds of $3,889,066 from the issue of common shares and warrants during the year ended December 31, 2008 compared to $3,283,115 during the same period in 2007. As at December 31, 2008 the net treasury position (current assets less prepaid expenses less current liabilities) of the Company was $1,964,436 compared to $3,640,355 at December 31, 2007.

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

On June 10, 2008, the Company completed a 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 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.

A 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 year ended December 31, 2008 these annual cash payments from JV partners related to new and existing joint venture agreements were $50,000 (compared to $336,588 for the same period in 2007). The significant decrease is due in part to the unfavourable economic climate resulting in a reduction in exploration activity worldwide.

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 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.

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 December 31, 2008 the Company had 74,897,178 common shares outstanding. The Company had 5,634,752 options outstanding at December 31, 2008, 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 4,375,000 warrants expired on May 25, 2008. 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.

	Total Options Outstanding			Total Exercisable Options		
Exercise Price Range $	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

During the second quarter of 2008, in consultation with those affected, 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 Exchange regulations and the Company's stock option plan.

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 ended December 31, 2008. 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 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 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, including management and property related consulting of $78,200 and office services and property leasing of $18,837. 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 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:

	Expensed during the year	Capitalized in Mineral properties	Year ended December 31, 2008 Total	Year ended December 31, 2007 Total
	$	$	$	$
Professional & Administrative	256,618	2,795	259,413	467,392
Office and warehouse rent	18,837	-	18,837	56,508
	275,455	2,795	278,250	523,900

Acquisition and Write-down of Mineral Properties

See Note 7 to the December 31, 2008 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 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. The Company has chosen 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 have been written off in some cases to reflect the current value of these properties.

Commitments

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:

	Cash	Shares
	$	#
2009	117,500	150,000
2010	130,000	30,000
2011	40,000	40,000
	287,500	220,000

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
	$ 479,947

Off-Balance Sheet Arrangements

At December 31, 2008, 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, 2008, are archived at the Company's website www.cornerstoneresources.com. Regulatory filings are also available through www.sedar.com.

Exploration Outlook

The Company's financial plans for 2008 and forward were heavily reliant on projects in Ecuador. The Company was expecting imminently the drill permits for Gama (Coastport Capital Inc. Joint Venture) and positive results from Macara (Newmont Mining Corporation Strategic Alliance). The Company 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. Due to the dramatic negative impact of the moratorium on the Company's budgeted revenues and expense recovery it was necessary to complete a financing, which closed in June 2008. (See "Financial Conditions, Liquidity and Capital 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. During the first nine months of 2008, Company representatives participated in several core investment and technical conferences including the Resource Investment Conference and the Mineral Exploration Round-Up, both in Vancouver, and the PDAC Convention in Toronto, as well as the Resource Investors Forum and the Canadian Institute of Mining (CIM) conference in St. John's. A variety of broker presentations were also made in Toronto, Vancouver and the United States. 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 finalizes 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. While the Company still believes the Ecuador properties have potential, it has recognized an impairment in the value of Ecuadorian Mineral Properties of $1,594,031, as the potential outcome of the situation is still uncertain (see Subsequent Events). The Company will continue to work with its joint venture partners and the government of Ecuador to help develop a new framework for responsible mining.

Current Economic Conditions – During the latter part of 2008, 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
	$	$	$
Net loss	(9,294,070)	(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:

	December 31, 2008	September 30, 2008	June 31, 2008 $	March 31, 2008 $
Net loss	(6,463,022)	(1,329,150)	(804,631)	(697,267)
Loss per share - basic and diluted	(0.10)	(0.02)	(0.01)	(0.01)

	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)

Significant Events

Appointments, Joint Ventures & Strategic Alliances and Financings;

As of December 31, 2008, the Company had five joint venture agreements in place and is operator on three of these projects. (See Subsequent Events).

Appointments and resignations:

On January 25, 2008 Terry Brace was appointed Vice President Exploration. Mr. Brace joined the Company following several years with Aur Resources, latterly Teck Cominco, where as the Senior Exploration Geologist he directed the exploration programs at the Duck Pond Mine in central Newfoundland. He was a key member of the management team that brought Duck Pond into production, having also been heavily involved in environmental and permitting aspects of the project. He has over 20 years experience in mineral exploration with several major and junior companies, including Noranda, Teck, Joutel Resources, and Thundermin Resources, during which time he has worked on and/or directed projects in several regions of Canada, Latin America and Africa. His experience extends to base and precious metals in a wide range of deposit types plus oil and gas exploration. Mr. Brace holds Bachelor of Science and Master of Science degrees in earth sciences from Memorial University of Newfoundland, and has been a Professional Geoscientist with the Professional Engineers and Geoscientists, Newfoundland and Labrador for 10 years.

On January 31, 2008 The Honourable John C. Crosbie, P.C., O.C., Q.C., resigned from the Board of Directors of the Company upon his appointment as Lieutenant Governor of Newfoundland & Labrador. Mr. Crosbie's appointment was announced by Prime Minister Stephen Harper and became effective at the end of January 2008. Mr. Crosbie was one of the founding directors of the Company when it was formed and listed on the TSX Venture Exchange in 1999. As an independent director, Mr. Crosbie played a very active and important role in the Company's development, in particular as a member of the Audit Committee and the Governance & Compensation Committee.

On April 2, 2008 the Company announced the following appointments to be effective April 15, 2008:

- Colin McKenzie was appointed President & CEO, replacing Glen McKay.
- Glen McKay was elected Chairman.
- John Fleming, the outgoing Chairman, was elected Vice Chairman.

Colin McKenzie has been a Cornerstone Director since February 2005. He becomes President & CEO of Cornerstone following several years as Vice President Exploration for Skye Resources and a career involving more than 25 years experience in major exploration projects and business development in Newfoundland & Labrador, other regions of Canada and internationally. Mr. McKenzie is very knowledgeable concerning the mineral potential of Eastern Canada and South America, the regions where Cornerstone's current projects are concentrated. His experience in Eastern Canada includes stints with BP Canada, where he was credited with the discovery of the Hope Brook gold deposit, and with Voisey's Bay Nickel (now Vale Inco) in Labrador, the area where Cornerstone has several nickel exploration projects including the Konrad project where new drill targets have recently been defined. In addition, Mr. McKenzie brings skills developed in his roles with major and junior companies at all levels of the business from project initiation and implementation to management and directorships.

On July 14, 2008 Mike Basha resigned his position as Executive Vice President of the Company to pursue other interests.

Joint Ventures & Strategic Alliances:

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 covers an area of approximately 1800 km^2 in Southern Ecuador. Alliance funding included a US$1,000,000 private placement in the Company by Newmont at a fixed share purchase price of CAN $0.83. Up to US$4,000,000 in exploration expenditures will be made in two stages over 6 years if Newmont elects to earn-in. The Company will operate the initial phase of 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 AOI 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.

In 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 Newfoundland. The Company is seeking a new joint venture partner for this project.

On April 18, 2008, the Constituent Assembly of the Government of Ecuador placed a moratorium on all exploration and mineral development activities in the country 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 Company has had to reduce operations in Ecuador to a minimum. The Company will continue to work with its joint venture partners and the government of Ecuador to help develop a new framework for responsible mining. On April 30, 2008, in consultation with its joint venture partners, Coastport Capital and Newmont Ventures, the Company has provided notice of *force majeure* on the Shyri and Macara Projects in Ecuador. *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 partners will continue to work together to understand the impact of the mining mandate on their plans for the Shyri and Macara projects, and the Company will assess its future plans for the La Plata project, in conjunction with its Ecuadorian joint venture partner Sultana Del Condor Minera S.A. (See Subsequent Events).

On June 11, 2008, the Company signed a joint venture agreement with Altius Resources Inc. (Altius) to explore primarily for Sediment-hosted Stratiform Copper (SSC) deposits in the Labrador Trough of western Labrador and southeastern Quebec. The 50-50 Joint Venture will cover 51 mineral exploration licenses totaling 1032 km^2 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 advised the Company that it is withdrawing 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.

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.

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.

Financings:

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

On June 10, 2008, the Company completed a non-brokered private placement of 16,044,750 units at $0.20 per unit for total proceeds of $3,208,950. 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 7% in units and 5% 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 those issued on exercise of warrants, are subject to a four month restriction on sale or transfer. Proceeds will be used to further advance the Company's exploration programs and working capital requirements.

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 primarily of independent, non-executive directors who meet periodically with management and 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, 2008.

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 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, 2008, 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 3 to the December 31, 2008 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 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 $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 year ending December 31, 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 year ended December 31, 2008, and other information concerning the Company are archived at the Company website www.cornerstoneresources.com. Regulatory filings are also available through www.sedar.com.