cornerstone
capital resources inc

Management's Discussion & Analysis of

Financial Conditions & Results of Operations

To September 30, 2007

CORNERSTONE CAPITAL RESOURCES INC.

Consolidated Results
To September 30, 2007

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

The following discussion and analysis, dated November 28, 2007, 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., 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 nine-month period ending September 30, 2007 compared with the nine-month period ending September 30, 2006.

At January 1, 2007, exploration properties held by the Company totalled 5,131 claims. During the first nine months of 2007, a number of property claims were dropped and additional claims were staked and acquired, leaving the Company with a total of 6,284 claims in Canada and 27 claims in Ecuador at the end of September 2007.

During the nine-month period ending September 30, 2007 the Company had a net loss of $3,295,025 - $0.07 per share (compared to a net loss of $1,715,689 - $0.04 share for the same period in 2006). Expenses incurred during the nine-month period ending September 30, 2007 were $3,450,430 compared to $1,876,625 for the same period in 2006. The increase of $1,573,805 during the period was due to a number of factors, the most notable of which are:

1. *General and administrative* expenses increased by $304,621, due to a reduction in administrative costs being directly related to mineral properties, which resulted in more general and administration expensed in the period. There was also a general increase in business activities such as conferences and analyst presentations.

2. *Stock-based compensation* increased by $248,798 due primarily to higher share price relative to options issued in the prior year.

3. *Mineral property costs abandoned* increased by $825,808 due to the write off this quarter of all expenditures related to initial exploration activities in India. The Company decided to suspend any further work in India and will reassess its position in the future.

4. *Foreign exchange loss* increased by $143,390 during the first nine months of 2007 as a result of significant activities in foreign currencies this year over the same period last year. Such gains and losses were not recorded by the Company prior to mid 2006.

5. *Amortization* increased by $52,710 due to additional requirements for capital equipment this year.

6. *Interest and bank charges* decreased by $1,522, due to efficiencies in cash management and treasury activities in the current year compared to the same period in 2006.

Revenue for the period was $155,405 compared to $160,936 in 2006, a slight decrease of $5,531.

The three-month period ending September 30, 2007 compared with the three-month period ending September 30, 2006.

During the three-month period ending September 30, 2007 the Company had a net loss of $1,618,906 - $0.03 per share (compared to a net loss of $457,623 - $0.01 share for the same period in 2006). Expenses incurred during the three-month period ending September 30, 2007 were $1,660,287 compared to $561,927 for the same period in 2006. The increase of $1,098,360 during the period was due to a number of factors, the most notable of which are:

1. *General and administrative* expenses increased by $101,969, due to a reduction in administrative costs being directly related to mineral properties, therefore more general and administration was expensed in the period. There was also a general increase in business activities for this quarter compared to last year.

2. *Stock-based compensation* increased by $58,249 due to the higher share price relative to options issued in the comparative period in 2006.

3. *Mineral property costs abandoned* increased by $825,808 due to the write off this quarter of all expenditures related to initial exploration activities in India. The Company decided to suspend any further work in India and will reassess its position in the future.

4. *Foreign exchange loss* increased by $71,619 during the third quarter of 2007 compared to the same period last year due to significantly more activities in foreign currencies this quarter over the same period last year as well as the effect of the falling US exchange rates.

5. *Amortization* increased by $40,821 due to an increased level of capital equipment this quarter over the same period last year.

6.Interest and bank charges remained relatively the same, with a slight decrease of $106.

Revenue for the period was $41,381 compared to $104,304 in 2006, a decrease of $62,923. This is due to a reduction in invested cash this period compared to the same period in 2006.

Mineral properties

Total capitalized expenditures on mineral properties as at September 30, 2007 were $7,310,145 compared to $6,219,337 as at September 30, 2006. Net mineral property expenditures of $2,158,222 were incurred during the nine month period ending September 30, 2007 compared to $995,961 during the same period in 2006. Included in the net mineral property expenditures are recoveries from Joint Venture Partners and Government grants of $4,653,819 compared to $3,883,471 for the same period in 2006. Expenditure recoveries from JV partners are higher for the first nine months of 2007 over the corresponding period in 2006 due to the continued growth of the joint venture projects undertaken by the Company in late 2006 and 2007.

Consolidated Schedule of Mineral Properties
(Unaudited)

Property	Gross Expenditures	Government Grants (JCEAP)	Recoveries from Joint Venture Partners	Net Total Sep 30, 2007	Net Total Sep 30, 2006	Net Total Dec 31, 2006
		$	$	**$**	$	$
Aucoin	236,668	23,193	-	**213,475**	202,508	203,407
Burin	412,323	-	-	**412,323**	-	-
Cape Ray	1,663,396	83,810	1,473,142	**106,444**	121,960	133,433
Codroy Valley	492,124	-	389,830	**102,294**	125,020	77,751
Deer Lake Uranium	156,569	-	-	**156,569**	-	6,301
Ecuador	11,489,236	-	8,708,627	**2,780,609**	1,652,936	2,318,479
El Strato	1,099,291	166,841	637,376	**295,074**	314,706	363,647
Green Bay gold	501,144	90,040	294,599	**116,505**	131,450	107,450
India	-	-	-	**-**	-	244,158
Island Pond	215,205	34,162	120,323	**60,720**	60,721	60,721
Konrad	1,412,180	-	800,115	**612,065**	498,586	350,189
Labrador	197,026	-	-	**197,026**	148,132	157,281
Labrador Trough	37,172	-	-	**37,172**	-	-
Long Habour	152,510	-	-	**152,510**	117,886	146,373
Noel Paul's Brook	525,491	102,795	395,357	**27,339**	121,010	62,338
Paul's Pond	32,243	-	-	**32,243**	31,959	32,076
Porterville	97,983	-	-	**97,983**	94,140	94,654
Princess	-	-	-	**-**	848,447	-
Red Cliff	1,378,491	76,370	655,267	**646,854**	644,857	644,872
True Grit	285,964	118,800	17,794	**149,370**	244,333	132,429
West Princess	-	-	-	**-**	346,115	-
Dorchester	155,538	-	143,134	**12,404**	-	-
Little Deer	259,411	-	-	**259,411**	-	-
Other Properties	979,958	-	138,203	**841,755**	514,571	732,032
	21,779,923	696,011	13,773,767	**7,310,145**	6,219,337	5,867,591

Financial Conditions, Liquidity and Capital Resources

As at September 30, 2007 the Company had cash and cash-equivalents of $2,017,565 compared to $6,723,878 at September 30, 2006. The Company received net cash proceeds of $180,434 from the issue of common shares during the nine-month period ending September 30, 2007 compared to $6,294,562 during the same period in 2006. The 2006 amount included $2,657,200 proceeds from a private placement and $3,878,899 from exercise of warrants which were called by the Company.

As at September 30, 2007 the net treasury position (current assets less prepaid expenses less current liabilities) of the Company was $2,859,109 compared to $7,909,805 for the same period in 2006. See “Subsequent Events” for details of October 2007 financing.

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 nine months ending September 30, 2007 these annual cash payments from JV partners related to new and existing joint venture agreements were $192,837 (compared to $174,635 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. Subsequent to June 30, 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 September 30, 2007 the Company had 50,898,253 common shares outstanding. The Company had 9,184,667 options outstanding at September 30, 2007, at various exercise prices as shown in the following chart, and 4,375,000 warrants issued in connection with the May 25, 2006 financing, exercisable at $1.10 until May 25, 2008. (See Subsequent Events for details of October 2007 financing).

STOCK OPTIONS

Exercise Price Range $	Number of Outstanding Options	Weighted Average Remaining Contractual Life of Outstanding Options (years)	Weighted Average Outstanding Exercise Price $	Number of Exercisable Options	Weighted Average Outstanding Exercise Price $
0.25 - 0.39	1,534,000	2.05	0.34	1,534,000	0.34
0.40 - 0.54	3,395,667	3.46	0.49	2,425,429	0.49
0.55 - 0.69	4,205,000	4.57	0.64	1,418,316	0.64
0.70 - 0.84	50,000	4.84	0.77	16,666	0.77
	9,184,667	3.74	0.54	5,394,411	0.49

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 nine-month period ending September 30, 2007. Resource Concepts Inc., which is controlled by Director John Fleming, P. Geo, who serves as the Company's Chairman, billed a total of $40,425 for geological consulting and management services. Director W. John Clarke is the Company's legal counsel. He provides legal and management consulting services in the amount of $47,010 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 $184,588, including management and property related consulting $117,800, accounting and clerical services $24,407 and office services and property leasing $42,381. D.R. Loveys & Associates Inc., controlled by Director David Loveys, the Company's Vice President Finance, CFO and Corporate Secretary, billed a total of $116,450 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 period	Capitalized in Mineral Properties	Nine months ended September 30, 2007 Total	Nine months ended September 30, 2006 Total
	$	$	$	$
Professional & Administrative	318,917	27,175	346,092	299,667
Office and warehouse rent	42,381	-	42,381	37,035
	361,298	27,175	388,473	336,702

Acquisition and Abandonment of Mineral Properties

See Note 4 to the September 30, 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	
	$CDN	$US	#	$US Equivalent
2007	-	125,000	-	125,000
2008	15,000	50,000	15,000	50,000
2009	77,500	50,000	20,000	50,000
2010	130,000	-	30,000	-
2011	40,000	-	40,000	-
	$ 262,500	$ 225,000	105,000	$ 225,000

A portion of these cash and share payments will be reimbursed to the Company by Coastport Capital Inc. under the Shyri Agreement. These amounts are as follows: Cash - $US 100,000, $US Equivalent Shares – 100,000.

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

	$
2007	5,059
2008	19,113
2009	15,549

Off-Balance Sheet Arrangements

At September 30, 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 nine months ended September 30, 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 2007. 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

The Company continues to accomplish its goals aimed at broadening its investor base through strategic marketing and on-going investor communications.

During the first nine months of 2007, Company representatives participated in several core investment and technical conferences such as the 2007 Vancouver Resource Investment Conference, the Mineral Exploration Round-Up 2007, the Orlando World Money Show, the 2007 New York Triple Gold Investment Conference, the 2007 PDAC Convention in Toronto, the Natural Resources Summit of Americas in the Bahamas, the Latin American Mining Congress in Miami, the Hard Assets Conference in New York, the Stanberry Research & Associates Conference in Long Beach, California, the Vancouver Cambridge Conference, Expo Labrador, Agora Financial Investment Symposium in Vancouver and the Resource Investor Forum in St. John's. The Company has also 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 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,	**2006**	**2005**	**2004**
	$	**$**	**$**
Net loss	(3,248,363)	(1,685,857)	(1,471,110)
Loss per share - basic and diluted	(0.07)	(0.06)	(0.07)
Total assets	14,508,765	7,414,033	5,493,205
Cash dividends per share	-	-	-
Long term liabilities	-	-	-

Summary of Quarterly Results

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

	September 30, 2007 $	June 30, 2007 $	March 31, 2007 $	December 31, 2006 $
Net loss	(1,618,906)	(1,163,968)	(512,151)	(1,532,674)
Loss per share - basic and diluted	(0.03)	(0.02)	(0.01)	(0.03)
	September 30, 2006 $	**June 30, 2006 $**	**March 31, 2006 $**	**December 31, 2005 $**
Net loss	(457,623)	(831,660)	(426,406)	(988,930)
Loss per share - basic and diluted	(0.01)	(0.02)	(0.01)	(0.03)

Significant Events

Joint Ventures, Appointments, Strategic Alliances and Financings;

As of September 30, 2007, the Company had eight joint venture agreements in place and is operator on four of these projects.

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 km^2) 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.

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.

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 September 30, 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, the Company retains their external auditor to perform quarterly reviews of the financial statements, 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 September 30, 2007, and have concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in annual filings.

Subsequent Events

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. The Company is currently considering whether or not to exercise its option to earn up to a 70% interest in this project from its Ecuadorian partner, Sultana del Condor SA.

On October 17, 2007, the Company completed a private placement with total proceeds of $3.025 million. The financing consisted of a non-brokered private placement of 5,500,000 units. Each unit was priced at $0.55 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 $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. All shares issued pursuant to the placement will bear a legend restricting transfer until February 18, 2008. The proceeds of the issuance will be used to advance existing properties, to generate and acquire new exploration properties and to provide working capital to the Company.

On October 19, 2007, the Company announced that it has agreed on non-binding commercial terms with respect to the formation of a regional exploration alliance ("Alliance") with Newmont Ventures Limited ("Newmont") to explore for a variety of gold deposit types in southern Ecuador. The Alliance will cover an area of approximately 1800 km^2 in Loja Province, Southern Ecuador. The Company controls 600 km^2 of concessions in the Alliance Area of Influence. Alliance funding will include a private placement in the Company by Newmont. Up to $4 million in exploration expenditures are anticipated to be made in two stages over 6 years, if Newmont elects to earn-in. Earn-in/Joint Venture commercial terms have been pre-established. The Company will be operator during the initial phase of the program.

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 the quarter ended September 30, 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.