



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

To September 30, 2009

CORNERSTONE CAPITAL RESOURCES INC.

Consolidated Results To September 30, 2009

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

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

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

Description of Business

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

Results of Operations

The nine-month period ending September 30, 2009 compared with the nine-month period ending September 30, 2008.

At January 1, 2009, exploration properties held by the Company totalled 11,544 claims. During the first nine months of 2009, a number of property claims were added and others combined or dropped, leaving the Company with a total of 7,059 claims in Canada and 17 concessions in Ecuador at the end of September 2009.

During the nine-month period ending September 30, 2009 the Company had a net loss of \$945,352 - \$0.01 per share, compared to a net loss of \$2,831,048 - \$0.04 per share for the same period in 2008. Expenses incurred during the nine-month period ending September 30, 2009 were \$1,263,200

compared to \$3,015,081 for the same period in 2008. The decrease of \$1,751,881 during the period was due to a number of factors, the most notable of which are:

General and administrative expenses decreased by \$733,823 due mainly to a significant cost reduction effort as a result of the recent adverse economic environment.

Mineral property costs abandoned was \$717,806 lower than the same period in 2008. The Company continues to closely review properties and only capitalize those where future exploration work is expected to be carried out in the near-term, however significant write-offs were made during the prior year due to the economic conditions and a reduced exploration program.

Stock-based compensation decreased by \$208,600 due primarily to lower share prices relative to options issued during the same period last year.

Amortization decreased by \$28,575 during the nine months ended September 30, 2009 compared to the same period last year as the Company has not recently purchased any significant additional capital equipment.

Revenue for the period was \$317,848 compared to \$184,033 during the first nine months of 2008, an increase of \$133,815, due primarily from a gain on sale of the La Plata property in Ecuador and a gain on sale of marketable securities in the current period.

The three-month period ending September 30, 2009 compared with the three-month period ending September 30, 2008.

During the three-month period ending September 30, 2009 the Company had a net loss of \$405,054 - \$0.005 per share, compared to a net loss of \$1,329,150 - \$0.02 per share for the same period in 2008. Expenses incurred during the three-month period ending September 30, 2009 were \$408,263 compared to \$1,389,095 for the same period in 2008. The decrease of \$980,832 during the period was due to a number of factors, the most notable of which are:

General and administrative expenses decreased by \$160,576 due to the continuation of the cost reduction effort as a result of the recent adverse economic environment.

Mineral property costs abandoned was \$776,052 lower during the third quarter 2009 compared to 2008 due to the larger than normal write off last year, when the adverse economic conditions began and the Company reviewed all properties in detail. The Company's policy is to capitalize only those properties where future exploration work is expected to be carried out in the near-term.

Stock-based compensation decreased by \$43,657 due primarily to lower share prices relative to options issued during the same period last year.

Amortization decreased by \$9,463 during the three months ended September 30, 2009 compared to the same period last year as the Company has not recently purchased any significant additional capital equipment.

Foreign exchange loss increased by \$11,961 during the three months ended September 30, 2009 compared with the same period last year due to the movements in the United States Dollar in relation to the Canadian dollar during the quarter.

Revenue for the period was \$3,209 compared to \$59,945 during the third quarter 2008, a decrease of

\$56,736, due to administrative charges being charged to fewer joint venture partners, and the mining mandate in Ecuador reduced activities on which to charge these fees.

Mineral properties

Total capitalized expenditures on mineral properties as at September 30, 2009 were \$5,394,443 compared to \$9,593,407 at September 30, 2008 and \$5,287,284 at December 31, 2008. Net mineral property expenditures of \$1,113,633 were incurred during the nine month period ending September 30, 2009 compared to \$2,338,473 during the same period in 2008. Mineral property expenditures are lower this year due to the reduced exploration programs the Company has undertaken. Included in the net mineral property expenditures are recoveries from Joint Venture Partners and Government grants of \$854,278 compared to \$1,042,674 for the same period in 2008. Expenditure recoveries from JV partners are lower for the first nine months of 2009 over the corresponding period in 2008 due to the reduced level of exploration that has taken place in 2009. Also, there were fewer joint ventures in the current year compared to 2008.

Consolidated Schedule of Mineral Properties (Unaudited)

Property	Gross Expenditures	Recoveries		Properties Abandoned or Sold	Net Total Sept. 30/09	Net Total Dec 31/08
		Government Grants (JCEAP)	from Joint Venture Partners			
		\$	\$	\$	\$	\$
Burin	647,018	-	-	(300,000)	347,018	321,453
Chaleur	305,552	(50,000)	-	-	255,552	259,054
El Strato	1,116,734	(166,841)	(637,376)	-	312,517	306,272
Goshen	395,324	-	(12,106)	-	383,218	379,460
Labrador Trough	1,146,425	(46,470)	(447,206)	(330,000)	322,749	327,834
Little Deer	1,771,255	(100,000)	-	-	1,671,255	1,218,118
South America	14,684,630	-	(11,350,637)	(1,301,170)	2,032,823	2,409,334
Other Properties	166,245	-	-	(96,934)	69,311	65,759
	<u>20,233,183</u>	<u>(363,311)</u>	<u>(12,447,325)</u>	<u>(2,028,104)</u>	<u>5,394,443</u>	<u>5,287,284</u>

Financial Conditions, Liquidity and Capital Resources

As at September 30, 2009 the Company had cash and cash-equivalents of \$538,181 compared to \$3,186,236 at September 30, 2008 and \$1,867,575 at December 31, 2008. The Company did not receive any cash proceeds from issuance of common shares and warrants for the nine months ended September 30, 2009, compared to proceeds of \$2,387,239 during the same period in 2008. As at September 30, 2009, the net treasury position (current assets less prepaid expenses less current

liabilities) of the Company was \$470,090 compared to \$3,288,896 at September 30, 2008 and \$1,964,436 at December 31, 2008. In June 2009, the Company sold its interests in the La Plata property to Sultana del Condor, its former Ecuadorian partner in the project for proceeds of US \$500,000. (See “Significant Events”).(Also see “Subsequent Events”).

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

The current recession has made it more challenging for the mineral exploration industry, including the Company, with the 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 took steps to downsize operations, and management believes that the Company will have adequate funds from existing working capital and planned financings (see “Subsequent Events”) 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. While the Company has been successful in obtaining additional financing 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, 2009 the Company had 74,947,178 common shares outstanding. The Company had 5,960,752 options outstanding at September 30, 2009, at various exercise prices as shown in the following chart, and 23,853,320 warrants issued in connection with private placement financings. A total of 5,857,500 of the warrants are priced at \$0.80 and expired 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.

Exercise Price Range \$	Total Options Outstanding			Total Exercisable Options		
	Number of Outstanding Options	Remaining Contractual Life	Weighted Average Strike Price \$	Number of Exercisable Options	Remaining Contractual Life	Weighted Average Strike Price \$
0.00 - 0.19	1,325,000	4.60	0.10	441,659	4.60	0.10
0.20 - 0.39	1,996,085	2.85	0.30	1,555,163	2.61	0.30
0.40 - 0.59	1,348,001	1.65	0.50	1,348,001	1.65	0.50
0.60 - 0.79	1,291,666	2.66	0.65	1,291,666	2.66	0.65
	5,960,752	2.92	0.38	4,636,489	2.53	0.44

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, 2009. Resource Concepts Inc., which is controlled by Director John Fleming, P. Geo, who serves as the Company's Vice Chairman, billed a total of \$ Nil (September 30, 2008 - \$27,150) for geological consulting and management services. Director W. John Clarke is the Company's legal counsel. He provided legal services in the amount of \$2,350 (September 30, 2008 - \$10,850) 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 \$34,900 (September 30, 2008 - \$83,937), including management consulting of \$34,900 (September 30, 2008 - \$65,100) and office services and property leasing of \$ Nil (September 30, 2008 - \$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 \$78,658 (September 30, 2008 - \$113,050) for accounting and management consulting services. Director Brooke Macdonald provided legal services in the amount of \$491 (September 30, 2009 - Nil) relating to various agreements and ongoing business matters. 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, 2009 Total	Nine months ended September 30, 2008 Total
	\$	\$	\$	\$
Professional & Administrative	115,999	400	116,399	216,150
Office and warehouse rent	-	-	-	18,837
	<u>115,999</u>	<u>400</u>	<u>116,399</u>	<u>234,987</u>

Acquisition and Abandonment of Mineral Properties

See Note 6 to the September 30, 2009 Consolidated Financial Statements for details of Mineral Properties. The Company's strategy is grass roots project generation followed by project level or joint venture ("JV") based exploration financing. All properties which are under consideration for acquisition must initially pass through Company generated evaluation criteria. Properties which are considered worthy are then acquired provided a reasonable agreement can be reached with the owner or the property is available for staking. This process results in a relatively large number of properties being acquired annually with the expectation that many of these will advance to the stage where

partner financing can be attracted. In cases where the project does not develop to the stage that management perceives it to be likely to attract such financing or if subsequent work by the Company indicates that further in-house work will not yield favourable results, the property is abandoned and written down.

Since the last quarter of 2008, the economic downturn resulted in the Company reviewing all its properties to ensure that only properties where exploration activities are expected to continue in the near-term are reflected on the balance sheet as Mineral Properties. The Company chose to write off previously deferred amounts for properties it still believes have potential, but may not be explored during the coming year. For those remaining properties where current exploration is expected to continue, a portion of deferred costs was written off in some cases to reflect the current value of these properties.

Off-Balance Sheet Arrangements

At September 30, 2009, the Company had no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Property Agreements and Exploration

Details of JV property agreements are disclosed by press release at the time of formation. Updates concerning the results of ongoing exploration programs are also updated by press release. Press releases issued by the Company, including those issued during the nine months ended September 30, 2009, 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 were heavily reliant on its projects in Ecuador. The Company was expecting imminently the drill permits for Gama 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.

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. While the Company expects that it will be permitted to reactivate all exploration activities soon, in June 2009 it recommenced its early-stage work on the Macara project with geochemical and geological surveying activities, which are permitted by the new mining law. On November 4, 2009, the President of Ecuador signed the new mining regulations into law, which was the last step prior to re-initiation of exploration and mining development in the country. The Company now expects to be given the go-ahead to resume exploration activities on all its projects in the country in the very near future.

On July 7, 2009, the Company, and its 50% joint venture partner Thundermin Resources Inc., announced the results of a National Instrument 43-101 compliant mineral resource estimate for the

Little Deer copper deposit located approximately 10 km north of Springdale in north-central Newfoundland. The mineral resource estimate was completed by Micon International Limited ("Micon") of Toronto, Ontario, Cornerstone's and Thundermin's independent resource estimate consultant.

Micon has estimated that the Deposit contains Indicated Resources of 1,087,000 tonnes at an average grade of 2.9% Cu and an Inferred Resource of 1,950,000 tonnes at an average grade of 2.3% Cu.

The Company is very pleased with this initial mineral resource estimate for Little Deer, and is hopeful that additional drilling will result in a re-classification of the inferred resources as well as expand the overall resources.

Investor Relations Activities

The Company continues to work at broadening its investor base through strategic marketing and on-going investor communications through timely news releases and regular targeted updates. For the remainder of 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. In November 2009, the Company engaged GEO Capital of Toronto to provide investor relations services for the Company. GEO Capital provides strategic counsel to small and medium cap companies, primarily in the mining sector. The principal of GEO Capital is Martti Kangas, an experienced marketing and communications executive with an extensive corporate development and investor relations background in the precious metals sector. His primary focus will be to introduce the Company to a wider audience within the Canadian investment community including investment advisers, sell side analysts and certain institutional investors.

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.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects. Exploration activity is also dependent on the laws of local governments, including aboriginal governing bodies, which may change

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

Ecuador Operations – On April 18, 2008, the Constituent Assembly of the Government of Ecuador placed a moratorium on all exploration and mineral development activities in the country while it finalized its new mining law. The original term of the moratorium was for 180 days, but this timeframe was extended until finalization of the new mining law. On January 29, 2009 the Government of Ecuador enacted a new mining law, and during a conference in Toronto, Canada in March 2009, Ecuadorian Mining Ministry officials indicated that the Mining Mandate was completed. In June 2009, the Company recommenced its early-stage work on the Macara project in Ecuador with its partner, Newmont Mining Corporation, with geochemical and geological surveying programs, which are permitted by the new mining law. On October 29, 2009 the Company signed a binding letter of intent with Intrepid Mines Ltd. (“Intrepid”) for a joint venture earn-in agreement on the Shyri project, which includes a cash payment to the Company as well as Intrepid making a private placement in the Company. (see “Subsequent Events”). In November 2009, the government of Ecuador finalized and brought into law the mining regulations, which is the last regulatory hurdle to the re-initiation of exploration and mining development in the country. The government has begun to give final approvals for the re-initiation of work to the major development projects and projects such as the Company's are expected to receive final approval to re-initiate work shortly.

Current Economic Conditions – During late 2008 and 2009, Canadian and international markets have experienced a severe downturn which has had an impact on the mineral exploration industry. The Company has taken steps to significantly reduce administrative expenses and is continuing to assess its exploration programs in an effort to conserve its cash position. During the second half of 2009, more positive economic news has resulted in improving market conditions and the Company expects to shortly close a small flow-through financing to assist with its Canadian exploration projects. (see “Subsequent Events”).

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	(9,294,071)	(4,307,721)	(3,248,363)
Loss per share - basic and diluted	(0.14)	(0.08)	(0.07)
Total assets	8,638,111	13,350,465	14,508,765

Summary of Quarterly Results

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

	September 30, 2009	June 31, 2009	March 31, 2009	December 31, 2008
Net loss	(405,054)	(136,783)	(403,515)	(6,463,023)
Loss per share - basic and diluted	(0.005)	(0.002)	(0.01)	(0.10)

	September 30, 2008	June 31, 2008	March 31, 2008	December 31, 2007
		\$	\$	\$
Net loss	(1,329,150)	(804,631)	(697,267)	(1,012,696)
Loss per share - basic and diluted	(0.02)	(0.01)	(0.01)	(0.02)

Significant Events

Appointments, Joint Ventures & Strategic Alliances and Financings;

As of September 30, 2009, the Company had four joint venture agreements in place and is operator on two of these projects.(see “Subsequent Events”).

Appointments and resignations:

In early 2009, Ian Slater, who was appointed to the Board of Directors on November 2, 2007, informed the Company that he would not stand for re-election to the Board in 2009 due to personal work commitments. The Board thanked Mr. Slater for his contributions and wished him the best in his future endeavors.

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

In November 2009, the Company engaged GEO Capital of Toronto to provide investor relations services for the Company. GEO Capital provides strategic counsel to small and medium cap

companies, primarily in the mining sector. The principal of GEO Capital is Martti Kangas, an experienced marketing and communications executive with an extensive corporate development and investor relations background in the precious metals sector. His primary focus will be to introduce the Company to a wider audience within the Canadian investment community including investment advisers, sell side analysts and certain institutional investors.

Joint Ventures & Strategic Alliances:

On March 3, 2009, Coastport Capital Inc. advised the Company that it was terminating its option to continue with, and earn an interest in, the Shyri project in Ecuador. The Company is actively discussing the project with potential new joint venture partners. The deferred option payments of \$611,370 related to this project have been transferred as a reduction to the value of the Mineral Properties.

On June 25, 2009, the company sold its interests in the La Plata property to Sultana Del Condor Minera, SA, a privately held Ecuadorian mining company, for \$US 500,000. On April 28, 2009, the Company announced it had signed a non-binding letter of intent to sell the property for \$US 675,000 payable in three installments over 18 months, however, during subsequent negotiations, both parties agreed to the new purchase price, to be paid on closing, which also included amounts which the Company owed to Sultana for expenditures and fees incurred to maintain the La Plata property. Cornerstone's subsidiary, La Plata Minerales, acquired an option to earn a 70% working interest or royalty in the La Plata property from Sultana in 2005 pursuant to a schedule of exploration expenditures and advance royalty payments. While La Plata Minerales maintained its rights with respect to the property up to December, 2007, further exploration work on the project has been under suspension following the issuance of the Mining Mandate in April, 2008.

On October 29, 2009 the Company signed a binding letter of intent with Intrepid Mines Ltd. ("Intrepid") for a joint venture earn-in agreement on the Shyri project in Ecuador, which includes a cash payment to the Company as well as Intrepid making a private placement in the Company. (see "Subsequent Events").

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 a majority of independent, non-executive directors who meet periodically with management and independent auditors to review financial reporting and internal control matters.

Adoption of New Accounting Standards

The CICA issued a new accounting standard, CICA Handbook Section 3064, Goodwill and Intangible Assets, which provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The standard was effective for companies with fiscal year beginning on or after October 1, 2008 and therefore, the Company adopted the standards with no impact on financial results.

In January 2009 the Emerging Issues Committee (“EIC”) of the CICA issued EIC-173, “Credit Risk and Fair Value of Financial Assets and Financial Liabilities”, which clarifies that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the issuance of EIC-173. The Company has adopted this recommendation in its fair value determinations with no impact on the Company’s financial results.

In March 2009, the EIC issued EIC-174, “Mining Exploration Costs”, which provides guidance on capitalization of exploration costs related to mining properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. EIC-174 also provides additional discussion for recognition of long lived assets. EIC-174 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-174. The Company has adopted this recommendation in its fair value determinations with no impact on the Company’s financial results.

Future Accounting Pronouncements

International Financial Reporting Standards (“IFRS”)

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 a formal plan in place and has performed initial scoping and analysis of the impacts of the conversion to IFRS. High, medium and low impact standards have been identified. The project is being managed internally and the Company has also engaged external consultants. Training programs have begun and the project team has been involved in exploration specific training. The audit committee has also attended IFRS training to understand the key impacts and their role in the conversion process.

As the IFRS conversion process is still in the early stages, 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.

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, which superseded Section 1581, Business Combinations, and Section 1600, Consolidated Financial Statements.

CICA Handbook Section 1582, Business Combinations, replaces the former Section 1581, and establishes standards for the accounting for a business combination. It provides the Canadian

equivalent to International Financial Reporting Standard ("IFRS") 3, Business Combinations, (January 2008). This Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601, Consolidated Financial Statements, together with the new Section 1602, Non-Controlling Interests, replaces the former Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standard 27, Consolidated and Separate Financial Statements, (January 2008). Both sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Earlier adoption is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is evaluating the impact of the adoption of these sections and will determine if early adoption is appropriate.

Subsequent Events

On October 29, 2009, the Company signed a binding letter of intent (LOI) with Intrepid Mines Ltd. outlining the terms of an option/joint venture arrangement for the Company's Shyri property in southern Ecuador. Under the terms of the LOI, Intrepid has the ability to earn an initial 60% interest in the Shyri property by making an initial cash payment of \$US 250,000 and a \$US 500,000 private placement in the Company shares based on a 5 day TSX-V weighted average market price plus 20%. Intrepid has also committed to spending \$US 6.0 million dollars over 5 years, including a firm commitment of \$US 1.0 million in the first year. Intrepid will have the further right to earn an additional 20% interest in a specific area of the Shyri property of up to 5,000 hectares defined as a Project Area. Upon designation of a Project Area, Intrepid will make a \$US 750,000 private placement in the Company. To earn the additional interest, Intrepid will complete a bankable feasibility study or incur expenditures of \$US 20 million, whichever comes first, and make a cash payment to the Company of up to \$US 5.0 million based on the gold equivalent ounces in the mineral reserve. There is no limit to the number of Project Areas Intrepid may designate within the property and each 'stand-alone' Project Area requires the same earn-in requirements.

On November 12, 2009, the Company announced a brokered private placement financing with MineralFields Group, for gross proceeds of \$1 million in flow-through units. Each flow-through unit will be priced at \$0.16 and will consist of one common share and one half of one transferrable, callable, non-flow-through share purchase warrant. One whole warrant will entitle the holder to acquire one additional common share at a price of \$0.20 per share for a period of one year after closing of the offering, and thereafter at \$0.25 per share for one additional year. A cash finder's fee equal to 6.5% is payable at closing, as well as a finder's fee option to purchase units at an exercise price of \$0.16 per unit equal to 7% of the number of units subscribed for. The finder's fee option will have the same terms as the flow-through units. The Company will have the right to accelerate the expiry date of the warrants to thirty (30) days from the date of the exercise of such acceleration right by providing holders of the warrants with written notice of such reduction in the exercise period. The right to accelerate will be triggered in the event that the average closing price of the Company's common shares is \$0.35 or more per share over a period of twenty (20) consecutive trading days during the first

twelve months after closing of the offering, or \$0.40 or more per share over a period of twenty (20) consecutive trading days during the second twelve months.

Other

During the third quarter of 2008, the Company's information was made available via Standard & Poor's Factual Stock Reports, which are detailed reports of the Company's quarterly information. These Factual Stock Reports are updated weekly by Standard and Poor's and have wide distribution. A link to the current report has been made available on the Company's website. The Company's shares are traded on the TSX Venture Exchange under the stock symbol CGP as well as the over the counter market in the USA under the symbol CTNXF. The Company is also listed on the Frankfurt and Berlin Stock Exchanges under the stock symbol GWN.

Financial Statements and press releases issued by the Company, including those issued during the quarter ended September 30, 2009, and other information concerning the Company are archived at the Company website www.cornerstoneresources.com. Regulatory filings are also available through www.sedar.com.