



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

To December 31, 2010

CORNERSTONE CAPITAL RESOURCES INC.

Consolidated Results To December 31, 2010

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

The following discussion and analysis, dated April 18, 2011, 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., Cornerstone International Inc., Cornerstone Ecuador S.A., La Plata Minerales S.A., Minera Cornerstone Chile Limitada and Santa Barbara Copper and Gold 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, rare metals and uranium.

Results of Operations

The year ending December 31, 2010 compared with the year ending December 31, 2009.

At January 1, 2010, exploration properties held by the Company totalled 6,622 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 2,969 claims in Canada and 13 concessions in Ecuador at the end of December 2010.

During the year ended December 31, 2010 the Company had a net loss of \$1,603,302 - \$0.02 per share (compared to a net loss of \$2,872,388 - \$0.04 per share for the same period in 2009). Expenses incurred during the year ended December 31, 2010 were \$2,202,007 compared to \$3,285,898 for the same period in 2009. The decrease of \$1,083,891 during the period was due to a number of factors, the

most notable of which are:

1. **General and administrative expenses** decreased by \$74,349 (5.2%) from 2009 as a result of continued cost cutting efforts during the year.
2. **Write-down of mineral properties** decreased by \$1,036,481 in 2010 compared to 2009. The Company's practice has been to write off any properties where exploration activity was not expected to occur in the near future. Significant write offs were taken in 2009 and 2008, when the Company experienced the slowdown from the economic downturn, consequently, fewer write-offs were required in the current year.
3. **Stock-based compensation** increased by \$59,842 due to a greater number of stock options being issued at higher prices relative to options issued during the same period last year.
4. **Amortization** continued to decrease, by \$32,478 during 2010 compared to 2009 due to less requirement for capital equipment acquisitions during 2009.

Revenue for the year was \$308,705 compared to \$413,510 in 2009, a decrease of \$104,805, mainly due to gains incurred in 2009 on sales of a mineral property and marketable securities. No property or marketable securities were sold during 2010. Unrealized gain on value of marketable securities increased by \$136,932 during the current year, as compared to 2009, as the economic recovery had a positive impact on the shares prices of the Company's investments. Foreign exchange gain increased by \$8,815 in 2010 compared to 2009 due to the strength of the Canada/US dollar exchange rates and the level of US dollars held by the Company.

Mineral properties

Total capitalized expenditures on mineral properties as at December 31, 2010 were \$4,893,707 compared to \$4,227,008 at December 31, 2009. Net mineral property expenditures of \$1,195,852 were incurred during the year ending December 31, 2010 compared to \$1,482,102 during the same period in 2009. Included in the net mineral property expenditures are recoveries from JV Partners and Government grants of \$1,055,391 compared to \$996,336 for the same period in 2009. Expenditure recoveries from JV partners are expected to continue to increase as exploration work has begun once again in Ecuador in early 2011.

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

Property	Gross Expenditures	Government Grants (JCEAP)	Recoveries from Joint Venture Partners	Properties Abandoned and/or Sold	Net Total 2010	Net Total 2009
		\$	\$	\$	\$	\$
Burin	1,568	-	-	(1,568)	-	-
Chaleur	338,601	(70,000)	-	(229,872)	38,729	79,079
El Strato	1,335,130	(221,612)	(637,376)	(129,300)	346,842	183,669
Goshen	396,932	-	(12,106)	(23,519)	361,307	359,699
Labrador Trough	1,159,781	(46,470)	(454,193)	(659,118)	-	66,164
Letitia Lake	13,538	-	-	-	13,538	-
Little Deer	2,928,243	(290,765)	-	(13,540)	2,623,938	1,803,090
New Ross	74,228	-	-	(40,546)	33,682	-
South America	11,473,881	-	(8,109,112)	(1,968,847)	1,395,922	1,702,503
Other Properties	159,063	-	(38,500)	(40,814)	79,749	32,804
	17,880,965	(628,847)	(9,251,287)	(3,107,124)	4,893,707	4,227,008

Financial Conditions, Liquidity and Capital Resources

As at December 31, 2010 the Company had cash of \$1,331,014 compared to \$740,722 at December 31, 2009. The Company received net cash proceeds of \$3,061,323 from the issue of common shares and warrants during the year ended December 31, 2010 compared to \$887,434 during the same period in 2009. As at December 31, 2010 the net treasury position (current assets less prepaid expenses less current liabilities) of the Company was \$1,498,251 compared to \$616,019 at December 31, 2009.

On January 26, 2010 the Company and Intrepid Mines Ltd. (“Intrepid”) completed a \$US 500,000 private placement in Cornerstone shares as agreed to in a binding Letter of Intent (LOI) announced on October 29, 2009. A total of 2,450,952 shares have been issued at a price of \$0.21 per share, based on the TSX-V weighted average market price of Cornerstone shares over the five business days ending January 15, 2010, plus 20%.

On June 28, 2010, the Company closed a non-brokered private placement consisting of 10,681,263 units (including 681,263 finders units) for gross proceeds of \$1,200,000. Each unit was priced at \$0.12 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 \$0.16 for two years following the closing. Finder's fees of 7.5% in units and 7.5% in compensation warrants (with the same terms as the warrants contained in the units) were paid to registered dealers who assisted in the placement. The Company has 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 volume weighted average closing price of the Company’s common shares is equal to or greater than \$0.25 per share over a period of twenty (20) consecutive trading days. On January 18, 2011 these warrants were called by the Company and all warrants were exercised resulting in cash proceeds to the Company of \$1,800,000.

On November 23, 2010, the Company closed a private placement financing of 9,375,000 flow-through

units with MineralFields Group, for gross proceeds of \$1,500,000. Each flow-through unit was priced at \$0.16 and consisted 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 6.07% was paid at closing, as well as a finder's fee option to purchase units at an exercise price of \$0.16 per unit equal to 6.53% of the number of units subscribed for. The finder's fee option has the same terms as the flow-through units. The Company has 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.

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, 2010 the Company received cash payments of \$323,125 from JV partners related to new and existing joint venture agreements compared to \$Nil for 2009. The increase is due to the increased exploration activity experienced during 2010, particularly in Ecuador, compared to the prior year.

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 Company believes it has properties which will continue to attract equity investors. Management believes that the Company will have adequate funds from existing working capital, and the expected exercise of warrants, to meet its corporate, administrative and property obligations for the coming year. If the Company is to advance or develop its mineral properties further, it may be necessary to obtain additional financing, and while the Company has been successful in the past, there can be no assurance that it will be able to do so in the future.

Outstanding Share Data

As at December 31, 2010 the Company had 104,389,325 common shares outstanding. The Company had 8,836,084 options outstanding at December 31, 2010, at various exercise prices as shown in the following chart, and 19,175,026 warrants issued in connection with private placement financings (see Subsequent Events). A total of 17,995,820 warrants expired during the year. A total of 3,125,000 warrants, currently exercisable at \$0.25, issued in connection with a November 2009 financing expire on November 27, 2011, however, on March 14, 2011 these warrants were accelerated by the Company and all were exercised at \$0.25 resulting in cash proceeds to the Company of \$781,250 (see Subsequent Events). A total of 11,362,526 warrants in connection with a June 2010 financing expire in June 2012,

however, on January 18, 2011, these warrants were accelerated by the Company, and all warrants were exercised at \$0.16, resulting in cash proceeds in excess of \$1,800,000 million (see Subsequent Events). A total of 4,687,500 warrants, at a current exercise price of \$0.20, issued in connection with a November 2010 financing, expire in November 2012.

Stock Options

Exercise Price Range \$	<u>Total Options Outstanding</u>			<u>Total Exercisable Options</u>		
	Number of Outstanding Options	Remaining Contractual Life	Weighted Average Strike Price \$	Number of Exercisable Options	Remaining Contractual Life	Weighted Average Strike Price \$
0.10 - 0.19	2,720,000	3.89	0.13	1,889,571	3.64	0.12
0.20 - 0.39	1,747,751	2.84	0.27	1,447,751	2.40	0.28
0.40 - 0.59	3,351,667	2.95	0.53	1,993,657	1.82	0.52
0.60 - 0.79	1,016,666	1.42	0.65	1,016,666	1.42	0.65
	8,836,084	3.04	0.37	6,347,645	2.43	0.37

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

Resource Concepts Inc., which is controlled by Director John Fleming, P. Geo, who serves as the Company's Chairman, billed a total of \$1,400 (2009 - \$Nil) for geological consulting and management services. Director W. John Clarke is the Company's legal counsel. He provided legal services in the amount of \$9,450 (2009 - \$4,350) relating to various agreements and ongoing business matters. Sealan Capital Corporation Inc., controlled by Director Glen H. McKay, who serves as the Company's Executive Vice-Chairman & CEO, billed a total of \$10,000 (2009 - \$41,900), for management consulting services. This amount was payable at December 31, 2010. D.R. Loveys & Associates Inc., controlled by Director David Loveys, the Company's Vice President Finance, CFO and Corporate Secretary, billed a total of \$138,200 (2009 - \$105,545) for accounting and management consulting services. Of this amount, \$20,700 was payable at December 31, 2010. Director Brooke Macdonald, who serves as the Company's President, provided legal services in the amount of \$3,064 (2009 - \$946) relating to various agreements and ongoing business matters. These transactions are considered to be in the normal course of business and are measured at exchange amounts being the amounts established and agreed to by the related parties. All related party transactions have been expensed and are included in general and administrative expenses.

Acquisition and Write-down of Mineral Properties

See Note 7 to the December 31, 2010 Consolidated Financial Statements for details of Mineral Properties. The Company's strategy is grass roots project generation followed by project level or 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.

Commitments

- (a) The terms of the Little Deer Joint Venture agreement provide for payments by the Company in order to retain the interest in the property. In 2011, a final payment of cash or equivalent shares of \$750,000 is due if the Company decides to complete the earn-in of the property.

- (b) Minimum annual lease payments on leased equipment and premises to the end of the leases are as follows:

2011	106,387
2012	106,387
2013	54,772
2014	3,157
2015	2,762
	<u>\$ 273,465</u>

During 2009, a significant portion of the leased premises was subleased for the balance of the lease term. Therefore, the minimum lease payments above are reduced by \$74,000 annually for 2011 and 2012 and \$37,000 in 2013.

Off-Balance Sheet Arrangements

At December 31, 2010, 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, 2010, are archived at the Company's website www.cornerstoneresources.com. Regulatory filings are also available through www.sedar.com.

Exploration Outlook

Ecuador

In January 2009, Ecuador passed a new mining law, replacing a mandate that had ordered a suspension of all mining and exploration work in the country almost a year earlier. The provisions of the new law have now been fully implemented, thereby enabling the Company and other companies to recommence exploration and development activity. We are confident that it will become increasingly apparent that Ecuador welcomes environmentally friendly, socially responsible, sustainable mining development and we are positioning the Company to be a major player in this underexplored land of mineral potential. On January 4, 2011, the Company received all formal permitting required to resume exploration programs on the Shyri – Gama project, including for diamond drilling that began on March 8, 2011. The Vetas Grandes and Cañaribamba target areas on the Shyri concession are awaiting environmental approvals for advanced stage exploration (drilling) that could take up to 6 months. We have the environmental terms of reference approved, and are working on the environmental impact studies which must then be submitted to the Ministry of Environment for approval. The Gama environmental impact study was submitted prior to the moratorium and was therefore grandfathered. Re-initiation of exploration activities at the Company's other projects in Ecuador is subject to further approvals. Some properties are potentially affected by the regulation of article 24 of the Mining Law, which provides that areas in which geological studies were carried out in the past by the Government shall be restored to the Government. This issue is expected to be clarified this summer by the issuance of a regulation specifying how article 24 will be applied in practice. The article 24 issue affects the Gama Norte property (which is a separate area and does not affect activities at the Gama project which is the site of the current drill program), and a portion of the Aguarongos property, which property received partial permitting in December 2010. Other properties are still awaiting Ministry of Mines approval to restart exploration. All necessary documents were filed in support of these properties in 2010, but the approval process is slow due to the backlog of similar applications at the Ministry.

On October 29, 2009, the Company and Intrepid signed a binding letter of intent (LOI) outlining the terms of an option/joint venture arrangement for Cornerstone'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 Cornerstone shares based on the TSX-V weighted average market price over the previous five business days, 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 5000 hectares defined as a Project Area. Upon designation of a Project Area, Intrepid will make a \$US 750,000 private placement in Cornerstone. 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 Cornerstone 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. During the earn-in period Cornerstone will serve as Project Manager for the exploration programs under the technical direction of Intrepid as Operator. Cornerstone will provide administrative and technical services using its Ecuadorian-based staff for which it will charge a 10% administrative fee. Both the \$500,000 private placement as well as the \$250,000 initial payment were completed in early 2010. A definitive option agreement between the Company and Intrepid was signed January 4, 2011.

On January 29, 2010, the Company gave Newmont notice of completion of Phase I expenditures of \$1.0 M. On March 30, 2010 the Company received notification from Newmont that it will proceed to Phase II, which entitles Newmont to earn a 51% interest in any properties within the Macará area of interest by spending \$3,000,000. It was also agreed that in return for funding a \$300,000 regional exploration program in 2010 Newmont would receive a \$600,000 credit against the Phase II commitment. Cornerstone will continue as Project Manager during Phase II.

Canada

Little Deer

On October 13, 2010, the Company, and its 50% joint venture partner Thundermin Resources Inc. (“Thundermin”), announced results of a September 30 updated National Instrument (“NI”) 43-101 compliant mineral resource estimate for the Little Deer copper deposit (“Deposit”) located approximately 10 km north of Springdale in north-central Newfoundland. The mineral resource estimate was completed by Scott Wilson Roscoe Postle Associates Inc. (“Scott Wilson RPA”) of Toronto, Ontario, under the supervision of Mr. Reno Pressacco, M.Sc. (A), P.Geo., then Senior Geologist for Scott Wilson and an independent Qualified Person (“QP”) in accordance with NI 43-101. Scott Wilson has estimated that the Deposit contains Indicated Resources of 1,150,500 tonnes at an average grade of 2.8% Cu and Inferred Resources of 2,335,500 tonnes at an average grade of 2.1% Cu. The Company is very pleased with this updated mineral resource estimate for the Deposit, and is in the process of planning the next stage of exploration.

Cornerstone and Thundermin retained SGS Lakefield Research Limited (“Lakefield”) to undertake conventional metallurgical test work on fresh core samples from the Deposit. This work focused on maximizing copper recoveries and copper concentrate grades employing conventional lock cycle testing techniques. As outlined in an October 19, 2010 news release, results of the test work indicated production of a saleable, high grade copper concentrate grading over 28% copper with over 97% copper recovery. The Company is very pleased with this result and hopes that the current drilling program may result in further expansion of the mineral resource.

Other properties

Further work is planned on the Company’s Letitia Lake area of central Labrador by Rare Earth Metals Inc. as well as the Chaleur East property in northern New Brunswick by Great Western Minerals Group.

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. GEO Capital of Toronto continues to provide investor relations services for the Company. They provide 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. The Company has also recently engaged several firms to widen its scope of investors and investor relations to include social media. These firms have introduced the Company to a much broader investor base and hence have provided more liquidity in the market for our shares.

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 dependent 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 January 4, 2011, the Company announced that it had received all permits required to begin drilling on its Gama prospect in Ecuador. This is a significant event for the Company as it has been waiting to resume Ecuador fieldwork since the moratorium on exploration activities came into effect in April 2008. It appears now that the Government of Ecuador is welcoming environmentally friendly, socially responsible, sustainable mining development and we are positioning the Company to be a major player in Ecuador. The Company is still waiting for permission to re-start fieldwork on the balance of its Ecuador properties, which is expected in the very near future.

Current Economic Conditions – Canadian and international markets have experienced a rebound from the severe downturn experienced in 2009 with increased metal prices and buoyant stock markets. While exploration activities have increased, the Company is still maintaining its conservative approach to spending.

Selected Annual Information

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

As at December 31,	2010	2009	2008
	\$	\$	\$
Net loss	(1,603,302)	(2,872,388)	(9,294,070)
Loss per share - basic and diluted	(0.02)	(0.04)	(0.14)
Total assets	7,384,942	5,623,068	8,638,111

Summary of Quarterly Results

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

	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
	\$	\$	\$	\$
Net loss	(145,542)	(239,407)	(499,660)	(718,693)
Loss per share - basic and diluted	(0.002)	(0.003)	(0.006)	(0.01)
	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
	\$	\$	\$	\$
Net loss	(1,927,036)	(405,054)	(136,783)	(403,515)
Loss per share - basic and diluted	(0.02)	(0.005)	(0.002)	(0.01)

Significant Events

Appointments, Joint Ventures & Strategic Alliances and Financings;

As of December 31, 2010, the Company had seven joint venture/option agreements in place and is operator on one of these projects.

Appointments and resignations:

On June 11, 2010 the Company announced the appointment of Beverley A. Evans, CA to its board of directors. Ms. Evans is a St. John's-based chartered accountant with over 20 years experience in senior management roles with FPI Limited, a TSX-listed global seafood company, and Ernst and Young. As CFO and Corporate Secretary for FPI, Ms. Evans was responsible for corporate finance, foreign investment and consolidation strategy, financial compliance for public company reporting, IT and human resources. She also played a key role in executing the corporation's strategic business plans as it transitioned from operator to holding company.

On August 3, 2010 the Company announced the resignation of Colin McKenzie from the positions of President and CEO. Mr. McKenzie resigned from his executive role in order to be able to pursue other

opportunities but will remain a Director of Cornerstone. The Board has appointed Glen McKay as President and Chief Executive Officer, positions that he previously held for several years.

Consequent on these management changes, the Board has realigned Board responsibilities. John Fleming has been elected Chairman, replacing Glen McKay in that position. Mr. Fleming has been a Director of the company since 1999 and was Chairman in the period 2003 to 2008. Glen McKay has been elected Executive Vice Chairman, in addition to his appointment as President and CEO.

Subsequent to year end, on February 24, 2011, H. Brooke Macdonald was appointed as President of the Company. Mr. Macdonald is an international legal consultant with over 20 years experience in the mining industry, specializing in exploration and mine development. Mr. Macdonald previously worked as Vice President Legal Affairs of Skye Resources Inc. until its acquisition by HudBay Minerals Inc. Previously to that 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. Glen McKay will continue as Executive Vice Chair and CEO of the Company.

Joint Ventures & Strategic Alliances:

On October 29, 2009, the Company and Intrepid signed a binding letter of intent outlining the terms of an option/joint venture arrangement for the Company's Shyri property in southern Ecuador. The details of this arrangement have been detailed under "Exploration Outlook" on page 8.

On January 26, 2010 Intrepid completed a \$US 500,000 private placement in the Company, consisting of 2,450,952 shares issued at a price of \$0.21 per share, based on the TSX-V weighted average market price of the Company's shares over the five business days ending January 15, 2010, plus 20%. Under the terms of the LOI, Intrepid has the ability to earn an initial 60% interest in the Shyri property by making a cash payment of \$US 250,000 and a \$US 500,000 private placement in the Company shares, both of which were completed in early 2010, and spending \$US 6,000,000 dollars over 5 years, with a firm commitment of \$US 1,000,000 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 ha 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 20,000,000, whichever comes first, and make a cash payment to the Company of up to \$US 5,000,000, 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 January 11, 2011, the Company and Intrepid concluded the Definitive Agreement.

In February 2010, the Company signed a binding option agreement with Rare Earth Metals Inc. ("Rare Earth") respecting its 155 mineral claims in the Letitia Lake area of central Labrador. Rare Earth made an initial payment of \$10,000 and 20,000 shares and guarantees minimum first year expenditures of \$50,000, sufficient to maintain the property in good standing. Thereafter, Rare Earth will make further payments of cash and shares totaling \$30,000 and 60,000, respectively over the first two years of the option and incur additional exploration expenditures totaling \$300,000 over three years in order

to earn a 51% interest in the claims. The parties will then form a joint venture to further explore and develop mineral resources on the property. Rare Earth will operate the exploration programs during the option period in consultation with Cornerstone.

On May 4, 2010 the Company signed an option agreement with Vale Exploration Canada Inc. ("VEC"), a wholly-owned subsidiary of Vale S.A. (NYSE-VALE) ("VALE"), respecting its Red Cliff and Deer Harbour copper properties in eastern Newfoundland. VEC made an initial payment of \$25,000 and has committed to a minimum first year expenditure of \$165,000. Thereafter, VEC may elect to make further cash payments totaling \$75,000 over the first two years of the option and incur additional exploration expenditures totaling \$2,850,000 over three years in order to earn a 60% interest in the properties. The parties will then form a joint venture to further explore and develop mineral resources on the properties, with each party contributing to approved exploration programs as per their interest. VEC will operate the exploration programs during the option period in consultation with the Company.

On May 19, 2010, the Company signed an option agreement with Great Western Minerals Group Ltd. (TSXV-GWG) ("Great Western") for its 200 claim Chaleur East property in northern New Brunswick. Great Western made an initial payment of 25,000 shares and guarantees minimum 2010 expenditures of \$50,000, sufficient to maintain the property in good standing. Thereafter, Great Western may elect to make further payments of cash and shares totaling \$100,000 and 200,000 respectively over the next three years and incur additional exploration expenditures totaling \$950,000 in order to earn a 51% interest in the claims. The parties will then form a joint venture to further explore and develop mineral resources on the property. Great Western will operate the exploration programs during the option period in conjunction with their on-going Benjamin River REE project adjacent to the Chaleur East property. Subsequent to year end, on March 11, 2011 the Company and Great Western finalized the option agreement on the Chaleur property. Under the option agreement the size of the subject property has increased from 200 mineral claims proposed under the letter agreement to 380 claims and, as a result, the underlying payment and work commitments have been revised. Great Western fulfilled its initial commitments under the letter agreement by issuing to the Company 25,000 Great Western shares and expending a minimum of \$50,000 on exploration. Upon execution of the option agreement, Great Western made a cash payment to the Company of \$35,000 and will issue an additional 40,000 Great Western shares following receipt of regulatory approval. Great Western may elect to make further payments of cash and shares totaling \$75,000 and 340,000 respectively during the next three years and incur additional exploration expenditures totaling \$1,350,000.

Financings:

On June 28, 2010, the Company closed a non-brokered private placement consisting of 10,681,263 units (including 681,263 finders units) for gross proceeds of \$1,200,000. Each unit was priced at \$0.12 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 \$0.16 for two years following the closing. Finder's fees of 7.5% in units and 7.5% in compensation warrants (with the same terms as the warrants contained in the units) were paid to registered dealers who assisted in the placement. The Company has 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 volume weighted average

closing price of the Company's common shares is equal to or greater than \$0.25 per share over a period of twenty (20) consecutive trading days. On January 18, 2011 these warrants were called by the Company and all warrants were exercised resulting in cash proceeds to the Company of \$1,800,000.

On November 23, 2010, the Company closed a private placement financing of 9,375,000 flow-through units with MineralFields Group, for gross proceeds of \$1,500,000. Each flow-through unit was priced at \$0.16 and consisted 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 6.07% was paid at closing, as well as a finder's fee option to purchase units at an exercise price of \$0.16 per unit equal to 6.53% of the number of units subscribed for. The finder's fee option has the same terms as the flow-through units. The Company has 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.

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 auditors to review financial reporting and internal control matters.

Future Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board confirmed the changeover to 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, 2011, and of the opening balance sheet as at January 1, 2010. The Company has a formal plan in place and has performed scoping and analysis of the impacts of the conversion to IFRS. High, medium and low impact standards have been identified and each of these standards is now being fully studied and analyzed to determine the potential impact to the Company's financial statements. 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.

The IFRS conversion process is not complete. Detailed studies have been performed on each expected area which may impact the Company, including the following key areas:

IFRS 6 – Mineral Properties – Ensuring that no capitalization of mineral exploration costs is made prior to legal rights to property.

IFRS 2 – Share-Based Payments – Ensuring that the appropriate vesting method is used.

IAS – 36 – Impairment of Assets – Ensure the Company is in compliance with standards governing criteria to assess for asset impairment.

IAS – 12 – Income Taxes – Ensure appropriate standards are followed with respect to new guidelines, including guidelines on flow-through financings.

The final impact on the Company's consolidated financial statements has not yet been determined. Based on the work done to date, however, it is believed that the Company is in compliance with most of the key areas above and is in the process of finalizing the work required to complete the conversion in 2011.

Subsequent Events

On January 18, 2011, the Company notified holders of warrants issued on June 28, 2010 of its intention to accelerate the expiry date for exercise of these warrants to March 7, 2011. All warrants were exercised by this expiry date and the Company received approximately \$1.8 million. On March 14, 2011, the Company notified holders of warrants issued on November 27, 2009 of its intention to accelerate the expiry date for exercise of these warrants to April 21, 2011. All warrants were exercised providing further proceeds of \$781,250.

On January 28 2011, the Company incorporated a new Chilean subsidiary, Minera Cornerstone Chile Limitada (“MCCL”). This subsidiary company will operate two new projects in Chile, the Miocene property and the La Fortuna property. The Miocene gold-silver-copper project is located in the Regions of Atacama and Antofagasta of northern Chile, approximately 200 kilometres southeast of the port city of Antofagasta. The La Fortuna copper-silver-gold project is located in the Valparaíso Region of central Chile, approximately 100 km north of Santiago.

On March 15, 2011 the Company acquired 100% of the shares of Santa Barbara Copper and Gold S.A. (“SBCG”), a wholly-owned Ecuadorian subsidiary of Santa Barbara Resources Limited (TSXV-SBL). The key assets of SBCG are the La Encrucijada and Cascabel projects. The La Encrucijada project is located in Loja province in southern Ecuador, approximately 70 km south of the city of Cuenca and midway between the Company's Shyri and Caña Brava properties. The Cascabel project is located in the Imbabura province in northern Ecuador, approximately 120 km north of Quito. The La Encrucijada and Cascabel properties are not located in environmentally sensitive areas, and delays are not anticipated in acquiring permits to resume exploration. Preliminary Environmental Impact Studies (“PEIS”) have been approved for both projects, Environmental Audits (“AA”) have been socialized and internally approved at the Ministry of Environment (“ME”), and Environmental Licenses (“EL”) should be granted in the near future. The purchase price of SBCG was \$20,000 and there were no assets or liabilities remaining in the books of SBCG at the time of the purchase.

Other

Company information is available via Standard & Poor's Factual Stock Reports, which are detailed reports of the Company's quarterly information, which 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, 2010, and other information concerning the Company are archived at the Company website www.cornerstoneresources.com. Regulatory filings are also available through www.sedar.com.