

Corriente Resources Inc.

(A Development Stage Enterprise)

Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2008

(expressed in Canadian dollars)

(Unaudited)

Corriente Resources Inc.

(a development stage enterprise)

Consolidated Balance Sheets

(Unaudited)

(expressed in thousands of Canadian dollars)

	September 30, 2008	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	\$ 88,857	\$ 93,272
Accounts receivable and prepayments	26	339
Convertible loan (note 5)	-	461
	88,883	94,072
Long-term assets		
Mineral properties (note 3)	90,261	77,779
Plant and equipment (note 4)	1,618	1,914
Other assets (note 5)	4,452	4,260
	96,331	83,953
TOTAL ASSETS	\$ 185,214	\$ 178,025
Liabilities		
Current liabilities		
Accounts payable relating to mineral properties	\$ 2,008	\$ 1,656
Other accounts payable and accrued liabilities	103	223
	2,111	1,879
Shareholders' Equity		
Share capital	235,996	234,438
Options (note 6)	4,343	3,736
Contributed surplus	1,473	1,378
Deficit	(58,709)	(63,406)
	183,103	176,146
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 185,214	\$ 178,025

Nature of operations – note 1

Measurement uncertainty – note 3

Approved by the Board of Directors

“Kenneth Shannon”

Director

“Dale Peniuk”

Director

The accompanying notes are an integral part of these consolidated financial statements.

Corriente Resources Inc.

(a development stage enterprise)

Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

(expressed in thousands of Canadian dollars, except for number of shares)

	Common Shares		Fair Value			Total Shareholders' Equity
	Number	Share Capital	Options	Contributed Surplus	Deficit	
Balance at December 31, 2006	74,752,393	\$ 233,553	\$ 2,585	\$ 993	\$ (48,394)	\$ 188,737
Stock based compensation on unexercised options	–	–	1,829	–	–	1,829
Common shares issued for cash pursuant to exercise of options	175,000	592	–	–	–	592
Fair value of options exercised	–	293	(293)	–	–	–
Fair value of options expired	–	–	(277)	277	–	–
Fair value of vested options forfeited	–	–	(108)	108	–	–
Loss for the year ended December 31, 2007	–	–	–	–	(15,012)	(15,012)
Balance at December 31, 2007	74,927,393	234,438	3,736	1,378	(63,406)	176,146
Stock based compensation on unexercised options (note 6)	–	–	1,202	–	–	1,202
Common shares issued for cash pursuant to exercise of options	375,000	1,058	–	–	–	1,058
Fair value of options exercised (note 6)	–	500	(500)	–	–	–
Fair value of vested options forfeited	–	–	(95)	95	–	–
Earnings for the period ended September 30, 2008	–	–	–	–	4,697	4,697
Balance at September 30, 2008	75,302,393	\$ 235,996	\$ 4,343	\$ 1,473	\$ (58,709)	\$ 183,103

The accompanying notes are an integral part of these consolidated financial statements.

Corriente Resources Inc.

(a development stage enterprise)

Consolidated Statements of Loss (Earnings), Comprehensive Loss (Earnings) and Deficit (Unaudited)

(expressed in thousands of Canadian dollars, except for per share amounts and number of shares)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Administration				
Salaries, benefits and stock-based compensation	\$ 441	\$ 422	\$ 1,434	\$ 1,317
Corporate development and shareholder expenses	89	112	403	251
Legal, accounting and regulatory	95	259	332	733
Office and related	85	73	230	204
Other	3	10	67	32
	713	877	2,466	2,537
Other expenses (income)				
Foreign exchange loss (gain) (note 11)	(3,150)	5,817	(5,297)	15,220
Interest income	(484)	(1,307)	(1,776)	(4,021)
Management fees (note 7)	(30)	–	(90)	–
Severance costs	–	45	–	875
	(3,664)	4,555	(7,163)	12,074
Loss (earnings) and comprehensive loss (earnings) for the period	(2,951)	5,432	(4,697)	14,611
Deficit – beginning of period	61,660	57,573	63,406	48,394
Deficit – end of period	\$ 58,709	\$ 63,005	\$ 58,709	\$ 63,005
Loss (earnings) per share				
Basic and diluted	\$ (0.04)	\$ 0.07	\$ (0.06)	\$ 0.20
Weighted average number of shares outstanding				
Basic	75,137,828	74,907,828	75,017,320	74,816,038
Diluted	75,364,395	74,907,828	75,302,718	74,816,038

The accompanying notes are an integral part of these consolidated financial statements.

Corriente Resources Inc.

(a development stage enterprise)

Consolidated Statements of Cash Flows

(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended		Nine months ended	
	September 30		September 30	
	2008	2007	2008	2007
Cash flows from (applied to) operating activities				
Earnings (loss) for the period	\$ 2,951	\$ (5,432)	\$ 4,697	\$ (14,611)
Items not affecting cash				
Stock-based compensation (note 6)	193	184	634	551
Accrued interest income (note 5)	20	–	(33)	–
Depreciation	9	9	24	20
Changes in non-cash working capital				
Accounts receivable and prepayments	45	59	312	91
Accounts payable and accrued liabilities	(49)	(39)	(119)	165
	3,169	(5,219)	5,515	(13,784)
Cash flows from (applied to) investing activities				
Mineral property costs	(3,271)	(4,434)	(11,070)	(14,912)
Insurance proceeds (note 5)	–	–	723	–
Convertible loan, net of interest	(131)	20	(330)	(382)
Other assets	(148)	213	(241)	515
Payments to acquire plant and equipment	(28)	(192)	(70)	(1,364)
Cash balance of spun-off subsidiary	–	–	–	(93)
	(3,578)	(4,393)	(10,988)	(16,236)
Cash flows from financing activities				
Proceeds from issuance of share capital	837	355	1,058	592
Increase (decrease) in cash and cash equivalents	428	(9,257)	(4,415)	(29,428)
Cash and cash equivalents – beginning of period	88,429	106,940	93,272	127,111
Cash and cash equivalents – end of period	\$ 88,857	\$ 97,683	\$ 88,857	\$ 97,683

Supplemental cash flow information (note 9)

The accompanying notes are an integral part of these consolidated financial statements.

Corriente Resources Inc.

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Notes to Consolidated Financial Statements

(Unaudited)

Three and nine-month periods ended September 30, 2008

(expressed in Canadian dollars unless otherwise noted)

1 Nature of operations

Corriente Resources Inc. and its subsidiaries (collectively, “Corriente” or “the company”) are engaged in the exploration and development of mineral properties in Ecuador, South America. The company considers itself to be a development stage enterprise.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations or significant returns to the company’s shareholders.

The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, receipt of necessary permits and regulatory approvals, the ability of the company to obtain financing to complete its development plans, and attain future profitable operations or sale of the properties. The company’s investment in mineral properties located in Ecuador comprises a significant portion of its assets. Refer to note 3 – measurement uncertainty.

2 Significant accounting policies

Basis of presentation

These unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) in Canada. They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the company’s audited consolidated financial statements including the notes thereto for the year ended December 31, 2007.

Certain of the 2007 figures have been reclassified to conform to the 2008 presentation.

The accounting policies followed by the company are set out in note 2 to the audited consolidated financial statements for the year ended December 31, 2007 and have been consistently followed in the preparation of these consolidated financial statements except that the company has adopted the following CICA guidelines effective January 1, 2008:

Capital disclosures and financial instruments – disclosures and presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, “Capital Disclosures”, Handbook Section 3862, “Financial Instruments – Disclosures”, and Handbook Section 3863, “Financial Instruments – Presentation”. Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Sections 3862 and 3863 replace Handbook Section 3861, “Financial Instruments – Disclosure and Presentation”, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks. Refer to notes 10 and 11.

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General Standards of Financial Statement Presentation

CICA Handbook Section 1400, “General Standards of Financial Statement Presentation”, has been amended to include requirements to assess and disclose an entity’s ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning on or after January 1, 2008. The standard requires that management make an assessment of a company’s ability to continue as a going concern and to use the going concern basis in the preparation of the financial statements unless management either intends to liquidate the company or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon a company’s ability to continue as a going concern, those uncertainties should be disclosed. The company has performed an assessment and believes there to be no further impact on its consolidated financial statements due to this new standard.

3 Mineral properties

Following is a summary of the company’s deferred mineral property expenditures for its mineral properties located in the Corriente Copper Belt in southeast Ecuador:

in thousands of Canadian dollars

	Mirador/ Mirador Norte	Panantza/ San Carlos	Other (1)	Total
Balance December 31, 2007	\$ 66,428	\$ 7,449	\$ 3,902	\$ 77,779
Property acquisition and concession payments	38	45	15	98
Deferred exploration and development costs	11,236	936	212	12,384
Balance September 30, 2008	\$ 77,702	\$ 8,430	\$ 4,129	\$ 90,261

(1) At September 30, 2008, the balance is comprised of the Dolorosa, La Florida, San Luis, San Marcos, San Miguel and Sutz copper exploration targets in the Corriente Copper Belt, and expenditures to develop the company’s concentrate shipping port facility in Machala, Ecuador.

Measurement uncertainty

On April 18, 2008, the Constitutional Assembly of Ecuador approved a Mining Mandate (the “Mandate”) which establishes a number of conditions and restrictions on metallic mining concessions previously issued by the Government of Ecuador, in advance of a new legal framework that is to be issued within 180 business days from the date of publication of the Mandate. To date, the new Mining Law has yet to be passed into law. Consequently, the Mandate remains in effect.

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The existence of the Mandate creates uncertainty regarding the mining industry in Ecuador. However, to date, the company's discussions with the Ministry of Mines and Petroleum ("MMP", formerly called the Ministry of Energy and Mines) of Ecuador and legal counsel have not resulted in a determination of any material impairment in the carrying value of the company's concessions as a result of the Mandate becoming law.

4 Plant and equipment

in thousands of Canadian dollars

	September 30, 2008			December 31, 2007		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Computer equipment	\$ 933	\$ (638)	\$ 295	\$ 891	\$ (477)	\$ 414
Construction barge and related facilities	640	(48)	592	640	(28)	612
Software fees and licences	412	(361)	51	406	(299)	107
Office furniture and equipment	400	(145)	255	395	(112)	283
Vehicles	383	(175)	208	383	(128)	255
Communications equipment	263	(94)	169	253	(61)	192
Field equipment	97	(49)	48	91	(40)	51
	\$ 3,128	\$ (1,510)	\$ 1,618	\$ 3,059	\$ (1,145)	\$ 1,914

5 Other assets

The following table summarizes information about other assets as at September 30, 2008:

in thousands of Canadian dollars

	September 30, 2008	December 31, 2007
EIA security deposits	\$ 3,520	\$ 3,279
Convertible loan	825	—
Advances on mineral property expenditures	107	258
Insurance proceeds receivable on loss of barge	—	723
	\$ 4,452	\$ 4,260

EIA security deposits

As a requirement of the MMP of Ecuador to approve the Mirador project's Environmental Impact Assessment ("EIA"), the company was required to post a deposit of US\$3,019,539 (\$3,213,393) in favour of the MMP as security against the company's obligations under the Mirador EIA. A similar EIA security deposit in favour of the MMP of US\$288,000 (\$306,490) was required as security against the company's obligations under the Machala Port EIA.

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Convertible loan advances to Q2 Gold Resources Inc. (“Q2 Gold”)

On April 3, 2007, the company announced that its Board of Directors had approved the spin-off of the company’s Caya 36 (Tundayme) and Piedra Liza gold assets into a new company, Q2 Gold by means of a Plan of Arrangement (the “Arrangement”). The Arrangement was approved by shareholders at the company’s May 24, 2007 Annual and Special General Meeting and closed on June 18, 2007. In connection with the Arrangement and to assist Q2 Gold with its business objectives, Corriente and Q2 Gold entered into a collateralized, interest-bearing convertible loan agreement dated April 23, 2007 (amended September 25, 2008), pursuant to which Corriente agreed to lend Q2 Gold up to \$1,500,000 (previously \$750,000), including accrued interest, to be advanced in instalments (the “Loan”).

As at September 30, 2008, a total of \$824,897 was owed by Q2 Gold to the company, consisting of \$755,476 of principal and \$69,421 of accrued interest. The Loan principal and unpaid interest are due on the earlier of December 31, 2009 (previously December 31, 2008) and the first date on which Q2 Gold obtains a prospectus filing receipt with respect to any of its securities in any province of Canada. At any time prior to maturity, Corriente can require Q2 Gold to convert, in whole or in part, the principal amount outstanding and accrued interest of the Loan into Q2 Gold Shares at a conversion price equal to \$0.10 per share. Q2 Gold can repay any or all of the outstanding Loan at any time prior to maturity or conversion. The company believes the conversion feature of the Loan is not material, therefore note disclosure on the embedded derivative is not being presented.

Refer to note 7.

Advances on mineral property expenditures

Advances on mineral property expenditures include \$106,778 (US\$100,336) in payments to contractors and suppliers made pursuant to supply agreements prior to the contracted goods and services being provided.

Insurance proceeds

In November 2007, the company experienced an accidental loss of its construction barge. The carrying value of the barge was written down as at December 31, 2007 by the amount of the insurance proceeds receivable of \$723,000 (US\$709,000). The related shoreline and barge facilities remain intact. During the first quarter of 2008, the company received full payment from its insurance company equal to the amount written down. Costs associated with the reconstruction of the barge will be added to the barge’s carrying value after reconstruction is completed.

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6 Share capital

a) Authorized

Unlimited common shares, without par value

b) Issued

See Consolidated Statements of Changes in Shareholders' Equity.

c) Stock options

The company has in place an incentive stock option plan (the "Option Plan") for directors, officers, employees and consultants to the company and its subsidiaries. The Option Plan provides that the directors of the company may grant options to purchase common shares on terms that the directors may determine, within the limitations of the Option Plan. The number of common shares available for the grant of options under the Option Plan and all other share compensation arrangements of the company is set at a rolling maximum number that shall not be greater than 10% of the company's current outstanding share capital at any given time. The exercise price of each option cannot be lower than the closing market price of the shares on the trading day immediately prior to the date of grant of the option. As at September 30, 2008, options to purchase a total of 2,910,000 (December 31, 2007 – 2,702,500) shares were outstanding, 1,448,133 (December 31, 2007 – 1,322,966) of which were vested.

Effective February 1, 2006, stock options granted have the following vesting provisions:

- Options granted to executive officers, directors and other head office personnel vest on the basis of 1/16th of the total each quarter (from grant date), with such vesting being accelerated based on a change in control of Corriente or the attainment of clearly identified milestones, as determined by the company's Directors.
- Options granted to subsidiary personnel vest on a cumulative basis of 50% of the total granted after 12 months from the grant date, 75% of the total granted after 18 months from the grant date and 100% of the total granted after 24 months from grant date, with such vesting being accelerated based on a change in control of Corriente, as determined by the company's Directors.

Non-cash stock-based compensation expense for options is determined based on estimated fair values of the options at the time of grant, the cost of which is recognized over the vesting period, which ranges from two years to four years, of the respective options and grants.

The fair value of the stock options granted is estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	For the nine-month periods ended	
	September 30, 2008	September 30, 2007
Risk-free interest rate	3.01 – 3.69%	3.95 – 4.66%
Expected dividend yield	–	–
Expected stock price volatility	62 – 67%	60 – 62%
Expected option life in years	2.75	3.00

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Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

For the period ended September 30, 2008, the estimated fair value of the granted options which vested during the period totalled \$1,202,000 (2007 – \$1, 596,000), of which \$634,000 (2007– \$551,000) is included in salaries, benefits and stock-based compensation and \$568,000 (2007 – \$1,045,000) is included in mineral properties.

The estimated fair value assigned to the stock options exercised during the periods ended September 30, 2008 and 2007 was recorded to share capital and the estimated fair value assigned to the stock options that had vested but expired or were forfeited (if any) was recorded to contributed surplus. The fair value assigned to the stock options that were both vested and forfeited during the periods ended September 30, 2008 and 2007 were included in salaries, benefits and stock-based compensation or mineral properties.

The following table summarizes information about options granted during the nine months ended September 30, 2008:

Expiry dates	Optionees	Number of options	Exercise Price
January 2, 2013	Head office employee and executive officers	320,000	\$ 5.41
June 1, 2013	Head office employees	85,000	4.60
June 1, 2013	Subsidiary office employees and consultants	275,000	4.60
June 1, 2013	Directors	125,000	4.60
Total granted		805,000	

A summary of changes to stock options outstanding and vested is as follows:

	For the nine month-periods ended			
	September 30, 2008		September 30, 2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding – beginning of period	2,702,500	\$ 4.19	2,435,000	\$ 4.05
Granted	805,000	4.92	862,500	4.45
Exercised	(375,000)	2.82	(175,000)	3.38
Forfeited	(222,500)	4.83	(420,000)	4.25
Options outstanding – end of period	2,910,000	\$ 4.52	2,702,500	\$ 4.19
Options outstanding and vested – end of period	1,448,133	\$ 4.24	1,188,433	\$ 3.47

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(expressed in Canadian dollars unless otherwise noted)

The following table summarizes information about stock options outstanding and exercisable at September 30, 2008:

Year of Expiry	Range of exercise prices	Outstanding			Exercisable		
		Number of options outstanding at September 30, 2008	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of options exercisable at September 30, 2008	Weighted average exercise price	Weighted average remaining contractual life (years)
2009	4.50	25,000	4.50	0.3	25,000	4.50	0.3
2010	2.27	360,000	2.27	1.8	360,000	2.27	1.8
2011	4.59 – 5.50	1,010,000	5.11	2.7	724,377	5.06	2.7
2012	3.66 – 4.90	710,000	4.35	3.5	284,065	4.42	3.6
2013	4.60 – 5.41	805,000	4.92	4.5	54,691	5.19	4.4
		2,910,000	\$ 4.52	3.3	1,448,133	\$ 4.24	2.7

7 Related party transactions and balances

Included in management fees and interest income are \$90,000 (2007 – \$Nil) and \$33,474 (2007 – \$Nil), respectively, for the nine-month period ended September 30, 2008 in respect of administrative services and accrued interest on a convertible loan provided by Corriente to Q2 Gold, which has common officers and a common Board of Directors, except that Q2 Gold has one additional independent director.

The foregoing related party transactions are recorded at the exchange amount which is the amount of consideration paid or received as established and agreed to between the parties.

At September 30, 2008, a convertible loan in the amount of \$824,897 (December 31, 2007 – \$460,994) was due from Q2 Gold (note 5).

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(Unaudited)

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(expressed in Canadian dollars unless otherwise noted)

8 Segmented information

The company operates within a single operating segment, which is the exploration and development of copper-gold mineral properties. The company's mineral property interests are in Ecuador, South America, as set out in note 3.

Geographic segmentation of the company's assets is as follows:

in thousands of Canadian dollars

	September 30, 2008			December 31, 2007		
	Canada	Ecuador	Total	Canada	Ecuador	Total
Cash and cash equivalents	\$ 88,111	\$ 746	\$ 88,857	\$ 93,028	\$ 244	\$ 93,272
Accounts receivable and prepayments	26	–	26	339	–	339
Convertible loan	–	–	–	461	–	461
Mineral properties	–	90,261	90,261	–	77,779	77,779
Plant and equipment	118	1,500	1,618	122	1,792	1,914
Other assets	825	3,627	4,452	–	4,260	4,260
	\$ 89,080	\$ 96,134	\$ 185,214	\$ 93,950	\$ 84,075	\$ 178,025

With the exception of severance costs in relation to restructuring of \$Nil (2007 – \$875,393) incurred by the company's Ecuador operations, the consolidated statements of loss for the nine-month periods ended September 30, 2008 and 2007 reflect the Canadian operations.

9 Supplemental cash flow information

Cash and cash equivalents comprise the following:

in thousands of Canadian dollars

	September 30, 2008	December 31, 2007
Cash on hand and balances with banks	\$ 970	\$ 335
Short-term investments, with maturity dates less than 90 days at acquisition	87,887	92,937
	\$ 88,857	\$ 93,272

At September 30, 2008 and December 31, 2007, the company's short-term investments are invested in overnight bank deposits with R1-High investment ratings (DBRS) that are easily liquidated, as they mature daily. The company has no investments in asset-backed commercial paper.

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During the nine-month periods ended September 30, 2008 and 2007, the company conducted non-cash operating, investing and financing activities as follows:

	<i>in thousands of Canadian dollars</i>	
	2008	2007
Depreciation included in mineral properties	\$ 342	\$ 558
Stock-based compensation included in mineral properties	\$ 567	\$ 1,045
Change in other assets and accounts payable and accrued liabilities relating to mineral properties	\$ 503	\$ (3,919)
Change in other assets and accounts payable and accrued liabilities relating to plant and equipment	\$ 724	\$ (548)

10 Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to pursue the development and exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the company includes its cash and cash equivalent balances and components of shareholders' equity.

The company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

In order to facilitate the management of its capital requirements, the company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

At this stage of the company's development, in order to maximize ongoing development efforts, the company does not pay out dividends.

The company's investment policy is to invest its cash in highly liquid short-term interest-bearing R1-High investment rated (DBRS) investments with maturities 90 days or less from the original date of acquisition.

The company expects its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operating period. The company is currently not subject to externally imposed capital requirements.

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11 Management of financial risk

The company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and price risk.

(a) Currency risk

As at September 30, 2008 and December 31, 2007, the company's expenditures are predominantly in US dollars and any future equity raised is expected to be predominantly in Canadian dollars. The company conducts the majority of its business in Ecuador, which uses the US dollar as its primary economic currency. Future project development expenditures are expected to be paid in US dollars. A significant change in the relative currency exchange rates between the Canadian dollar and the US dollar could have an effect on the company's results of operations, financial position or cash flows. The company has not hedged its exposure to currency fluctuations.

As such, the company is subject to risk due to fluctuations in the exchange rates for the US and Canadian dollar. Beginning in 2007, the company began maintaining balances in Canadian and US dollars in a proportion related to the magnitude of future mineral property, plant and equipment, and administrative expenditures, and the jurisdictions in which they will likely be made.

At September 30, 2008, the company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	<i>in thousands of US dollars</i>	
	September 30, 2008	December 31, 2007
Cash and cash equivalents	\$ 69,664	\$ 78,747
Other assets	3,408	4,277
Accounts payable relating to mineral properties	(1,887)	(1,671)

Based on the above net exposures as at September 30, 2008, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in a increase/decrease of approximately \$7.1 million in the company's net earnings.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The company's cash equivalents and short-term investments are held at a large Canadian financial institution, which has no known liquidity problems. Minimal cash balances are held in Ecuadorian financial institutions. These short-term investments (presented as part of cash and cash equivalents) are composed of financial instruments issued by a Canadian bank with a R1-High (DBRS) investment rating and are easily liquidated, as they mature daily. The company has no investments in asset-backed commercial paper.

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The company's accounts receivable and prepayments consist mainly of prepaids and GST receivable due from the Federal Government of Canada. The EIA deposits included in other assets are held in a major US bank. The convertible loan is due from Q2 Gold, a related company.

(c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company manages liquidity risk through the management of its capital structure and financial leverage as outlined in note 10 to the interim consolidated financial statements.

Accounts payable relating to mineral properties and other accounts payable and accrued liabilities are due within the current operating period.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is minimal because these investments roll over daily.

The risk that the company will realize a loss as a result of a decline in the fair value of the EIA deposits included in other assets is limited because these deposits will be held to maturity.

(e) Price risk

The company is exposed to price risk with respect to commodity prices. The company closely monitors commodity prices to determine the appropriate course of action to be taken by the company.