

BURNSTONE VENTURES INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SECOND QUARTER AND SIX MONTHS ENDED

(UNAUDITED)

September 30, 2010 AND 2009

BURNSTONE VENTURES INC.**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

SECOND QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

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BURNSTONE VENTURES INC.

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November 9, 2010

Interim Consolidated Financial Statements Second Quarter Report For the six month periods ended September 30, 2010 and 2009

NOTICE TO READER

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company must disclose if an auditor has not performed a review of the interim financial statements.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the Company's management.

These unaudited interim consolidated financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company.

Yours truly,

BURNSTONE VENTURES INC.

"Eugene Beukman"

Eugene Beukman
Corporate Secretary

BURNSTONE VENTURES INC.
INTERIM CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2010 AND MARCH 31, 2010

	September 30 2010 (Unaudited)	March 31 2010 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 57,055	\$ 189,176
HST/GST recoverable	24,759	12,357
Marketable securities (Note 4)	6,300	9,000
Prepaid expenses and deposits	5,824	3,658
	93,938	214,191
Property, plant and equipment (Note 5)	8,495	9,798
Resource property interests (Note 6)	4,985,916	4,949,356
Reclamation bond	-	8,000
	\$ 5,088,349	\$ 5,181,345
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 54,631	\$ 27,651
Due to related parties (Note 10)	1,724	2,015
	56,355	29,666
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	66,228,272	66,228,272
Contributed surplus (Note 8)	2,201,602	2,201,602
Accumulated other comprehensive income (loss) (Note 4)	(1,200)	1,500
Deficit	(63,396,680)	(63,279,695)
	5,031,994	5,151,679
	\$ 5,088,349	\$ 5,181,345

Nature of operations and going concern (Note 1)

Loans payable (Note 10 and 11)

Commitments (Note 10)

Approved on Behalf of the Board:

Signed: "Gordon Keevil"

Director

Signed: "Eugene Beukman"

Director

BURNSTONE VENTURES INC.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
SECOND QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

	Three Months Ended Sep 30 2010 (Unaudited)	Three Months Ended Sep 30 2009 (Unaudited)	Six Months Ended Sep 30 2010 (Unaudited)	Six Months Ended Sep 30 2009 (Unaudited)
ADMINISTRATIVE EXPENSES				
Amortization	\$ 651	\$ 875	\$ 1,303	\$ 1,750
Audit and accounting	12,250	12,500	29,500	28,750
Consulting services	1,800	35,290	2,160	45,310
Interest	-	3,101	-	4,530
Insurance	-	440	450	440
Legal	4,535	6,007	5,603	6,007
Management fees	7,500	7,500	15,000	18,750
Office facilities and administrative services	15,041	15,313	29,659	81,722
Property investigation	694	-	1,615	-
Shareholder information and printing	18,135	18,247	18,135	18,622
Transfer agent, filing and stock exchange fees	7,084	11,877	9,383	20,674
Travel and promotion	4,253	1,822	4,253	2,053
	71,943	112,972	117,061	228,608
LOSS BEFORE OTHER ITEMS	(71,943)	(112,972)	(117,061)	(228,608)
OTHER ITEMS				
Interest income	76	-	76	6
	76	-	76	6
NET LOSS FOR THE PERIOD	(71,867)	(112,972)	(116,985)	(228,602)
DEFICIT, beginning of period	(63,324,813)	(63,170,231)	(63,279,695)	(63,054,601)
DEFICIT, end of period	\$(63,396,680)	\$(63,283,203)	\$(63,396,680)	\$(63,283,203)
BASIC AND DILUTED INCOME (LOSS) PER SHARE	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	12,385,086	5,913,567	12,385,086	5,913,635

- See Accompanying Notes -

BURNSTONE VENTURES INC.
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
SECOND QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

	Three Months Ended Sep 30 2010 (Unaudited)	Three Months Ended Sep 30 2009 (Unaudited)	Six Months Ended Sep 30 2010 (Unaudited)	Six Months Ended Sep 30 2009 (Unaudited)
NET INCOME (LOSS) FOR THE PERIOD BEFORE OTHER COMPREHENSIVE INCOME	\$ (71,867)	\$ (112,972)	\$ (116,985)	\$ (228,602)
Unrealized gain (loss) on available for sale investments	(700)	7,000	(2,700)	6,500
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ (72,567)	\$ (105,972)	\$ (119,685)	\$ (222,102)

BURNSTONE VENTURES INC.
INTERIM CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
SECOND QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

	Three Months Ended Sep 30 2010 (Unaudited)	Three Months Ended Sep 30 2009 (Unaudited)	Six Months Ended Sep 30 2010 (Unaudited)	Six Months Ended Sep 30 2009 (Unaudited)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	\$ (500)	\$ (1,500)	\$ 1,500	\$ (1,000)
Unrealized gain (loss) on available for sale investments	(700)	7,000	(2,700)	6,500
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ (1,200)	\$ 5,500	\$ (1,200)	\$ 5,500

BURNSTONE VENTURES INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
SECOND QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

	Three Months Ended Sep 30 2010 (Unaudited)	Three Months Ended Sep 30 2009 (Unaudited)	Six Months Ended Sep 30 2010 (Unaudited)	Six Months Ended Sep 30 2009 (Unaudited)
OPERATING ACTIVITIES				
Net income (loss) for the period	\$ (71,867)	\$ (112,972)	\$ (116,985)	\$ (228,602)
Adjustments for non-cash items:				
Amortization	651	875	1,303	1,750
Accrued interest	-	3,101	-	4,530
	(71,216)	(108,996)	(115,682)	(222,322)
Changes in non-cash operating accounts:				
HST/GST recoverable	(9,380)	(2,517)	(12,402)	(4,523)
Prepaid expenses and deposits	(2,166)	-	(2,166)	8,015
Accounts payable and accrued liabilities	(4,076)	15,414	(14,768)	9,434
Due to related parties	1,049	50,305	(291)	95,022
	(85,789)	(45,794)	(145,309)	(114,374)
FINANCING ACTIVITIES				
Proceeds from loans payable	-	40,000	-	65,000
Proceeds from related party loans	-	15,000	-	45,000
	-	55,000	-	110,000
INVESTING ACTIVITIES				
Proceeds from reclamation bond	8,000	-	8,000	8,000
Deferred exploration recovery (costs)	1,988	(2,208)	5,188	(2,621)
	9,988	(2,208)	13,188	5,379
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(75,801)	6,998	(132,121)	1,005
CASH AND CASH EQUIVALENTS, beginning of period	132,856	15,498	189,176	21,491
CASH AND CASH EQUIVALENTS, end of period	\$ 57,055	\$ 22,496	\$ 57,055	\$ 22,496
Interest paid in cash	\$ -	\$ -	\$ -	\$ -
Income taxes paid in cash	\$ -	\$ -	\$ -	\$ -

SUPPLEMENTAL CASH FLOW INFORMATION (Note 12)

BURNSTONE VENTURES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SECOND QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

1. NATURE OF OPERATIONS AND GOING CONCERN

Burnstone Ventures Inc. (the "Company") is an exploration stage company and is primarily engaged in the acquisition, exploration and development of mineral resource properties located in Canada.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production. The amounts shown as resource properties and deferred exploration costs represent costs to date and do not necessarily represent present or future values. Changes in future conditions could require material write-downs of the carrying amounts of the resource properties.

These unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), except that they do not contain all disclosures required for annual financial statements. The unaudited interim consolidated financial statements have been prepared following the same accounting policies as for the audited consolidated financial statements for the year ended March 31, 2010. Accordingly, they should be read in conjunction with the 2010 audited consolidated financial statements and the notes thereto which are available on SEDAR at www.sedar.com.

These unaudited interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of operations. At September 30, 2010, the Company had not yet achieved profitable operations, had accumulated losses of \$63,396,680 since its inception, had working capital of \$37,583 which may not be sufficient to sustain operations over the foreseeable future and expects to incur further losses in the development of its business. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and commitments (Note 10), keep its properties in good standing and discharge its liabilities as they come due. Funding for operations is obtained primarily through public and private share offerings.

On November 2, 2010, the Company announced that it had closed a non-brokered private placement, raising gross proceeds of \$133,400 (see Subsequent Events Note 15).

Management recognizes that the Company will need to continue to raise additional funds to complete the development phase of its programs and, while it has been successful in doing so in the past there can be no assurance that it will be able to continue to do so in the future. If the Company is unable to raise additional equity financing, the Company will be required to curtail operations and exploration activities. Management believes that the Company will be able to continue to raise additional funds and has prepared these unaudited interim consolidated financial statements on a going concern basis. Realization values may be substantially different from the carrying values as presented in the unaudited interim consolidated financial statements should the Company be unable to continue as a going concern. It is management's opinion that all adjustments considered necessary for fair presentation of the results for the periods presented have been reflected in these unaudited interim consolidated financial statements.

BURNSTONE VENTURES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SECOND QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

2. NEW ACCOUNTING STANDARDS

New accounting standards not yet adopted

Section 1582 - Business Combinations, Section 1601 - Consolidated Financial Statements, Section 1602 - Non-controlling Interests

In January 2009, the CICA issued Handbook Sections 1582 Business Combinations, 1601 Consolidated Financial Statements, and 1602 Non-controlling Interests, which replaces CICA Handbook Sections 1581 Business Combinations and 1600 Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning April 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted. The Company does not expect the adoption of these new accounting standards will have an impact on its financial statements.

International Financial Reporting Standards

In February 2008, The CICA Accounting Standards Board ("AcSB") 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. The Company will adopt IFRS effective April 1, 2011 and will be required to restate, for comparative purposes, amounts reported by the Company for its year ended March 31, 2011. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS as well as certain presentation differences. The Company is continuing to assess the impact on the financial statements and is in the process of developing an IFRS changeover and implementation plan.

3. FINANCIAL INSTRUMENTS

Designation and valuation of financial instruments

The Company enters into financial instruments to finance its operations in the normal course of business. The carrying values of the Company's financial instruments compared to their fair values are as follows:

- The fair values of cash and cash equivalents, HST/GST recoverable, accounts payable and accrued liabilities and due to related parties approximate their carrying values due to the short-term maturity of these instruments.
- Since the Company has classified marketable securities as "*Available for Sale*", the Company has valued these at the closing price of the shares on the related market where the specific shares are listed for trading at September 30, 2010. As at September 30, 2010, the cost exceeded the fair value of these assets by \$1,200.

BURNSTONE VENTURES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SECOND QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

3. FINANCIAL INSTRUMENTS (CONT'D)

Risks

Credit risk

Credit risk refers to the risk that another entity will default on its contractual obligations resulting in financial loss to the Company. The Company's credit risk is primarily attributable to its cash deposits and HST/GST recoverable. Cash is held with a reputable Canadian institution and HST/GST recoverable is due from the government of Canada. Management believes the risk of loss to be minimal.

Market risk

Market risk includes currency risk, interest rate risk and price risk. The Company's activities expose it primarily to the financial risks of changes in the price of commodities. The exposure includes the ability to raise capital with favourable terms and the value of the marketable securities the Company accepts for certain option rights on its properties. The Company holds all cash in an interest bearing account and has no other interest bearing financial assets or liabilities, except for loans which have a fixed interest rate. The Company does not currently hold any financial instruments that mitigate this risk.

Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at an excessive cost. Accounts payable and accrued liabilities are current. The Company's loans payable were paid in full by the Company during the year ended March 31, 2010 (see "Related Party Transactions and Commitments" (Note 10) and "Loans Payable" (Note 11)).

4. MARKETABLE SECURITIES

	Cost	Fair Value	September 30, 2010 Unrealized Holdings Gain (Loss)
Available for sale			
Bard Ventures Ltd. - 100,000 shares	\$ 7,000	\$ 6,000	\$ (1,000)
Beatrix Ventures Inc. – 10,000 shares	500	300	(200)
	<u>\$ 7,500</u>	<u>\$ 6,300</u>	<u>\$ (1,200)</u>

The valuation of the shares has been determined in whole by reference to the closing price of the shares on the related market where the specific shares are listed for trading at September 30, 2010.

BURNSTONE VENTURES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SECOND QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

4. MARKETABLE SECURITIES (CONT'D)

	Cost	Fair Value	March 31, 2010 Unrealized Holdings Gain (Loss)
Available for sale			
Bard Ventures Ltd. - 100,000 shares	\$ 7,000	\$ 8,500	\$ 1,500
Beatrix Ventures Inc. – 10,000 shares (i)	500	500	-
	<u>\$ 7,500</u>	<u>\$ 9,000</u>	<u>\$ 1,500</u>

- (i) During the year ended March 31, 2010, the Company received one common share of Beatrix Ventures Inc. for every ten Bard Ventures Inc. ("Bard") common shares held by the Company resulting from the Plan of Arrangement completed by Bard.

The valuation of the shares has been determined in whole by reference to the closing price of the shares on the related market where the specific shares are listed for trading at March 31, 2010.

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	September 30, 2010 Net Book Value
Computer equipment	\$ 11,920	\$ 9,237	\$ 2,683
Leasehold improvements	4,673	2,261	2,412
Office equipment	5,247	1,847	3,400
Software	526	526	-
	<u>\$ 22,366</u>	<u>\$ 13,871</u>	<u>\$ 8,495</u>

	Cost	Accumulated Amortization	March 31, 2010 Net Book Value
Computer equipment	\$ 11,920	\$ 8,764	\$ 3,156
Leasehold improvements	4,673	1,809	2,864
Office equipment	5,247	1,469	3,778
Software	526	526	-
	<u>\$ 22,366</u>	<u>\$ 12,568</u>	<u>\$ 9,798</u>

BURNSTONE VENTURES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SECOND QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

6. RESOURCE PROPERTY INTERESTS

	September 30, 2010			March 31, 2010		
	Acquisition Costs	Exploration Costs	Total	Acquisition Costs	Exploration Costs	Total
Baffin Island/High Arctic						
Field expenses (recovery)	\$ (3,200)	\$ 1,530	\$ (1,670)	\$ (10,000)	\$ -	\$ (10,000)
Field office	-	304	304	-	-	-
Geological	-	1,579	1,579	-	1,020	1,020
Helicopter	-	33,879	33,879	-	-	-
Labour	-	153	153	-	-	-
Land administration	-	-	-	-	540	540
Management fees	-	1,796	1,796	-	-	-
Travel and transportation	-	519	519	-	-	-
Costs incurred during period	(3,200)	39,760	36,560	(10,000)	1,560	(8,440)
Balance, beginning of period	476,500	4,468,719	4,945,219	486,500	4,467,159	4,953,659
Balance, end of period	\$473,300	\$4,508,479	\$4,981,779	\$476,500	\$4,468,719	\$4,945,219
Other						
Geological and geophysical	\$ -	\$ -	\$ -	\$ -	\$ 1,020	\$ 1,020
Labour/land administration	-	-	-	-	40	40
Costs incurred during period	-	-	-	-	1,060	1,060
Sale of resource property	-	-	-	-	(1,020)	(1,020)
Balance, beginning of period	3	4,134	4,137	3	4,094	4,097
Balance, end of period	\$ 3	\$ 4,134	\$ 4,137	\$ 3	\$ 4,134	\$ 4,137
Total	\$ 473,303	\$ 4,512,613	\$ 4,985,916	\$ 476,503	\$ 4,472,853	\$ 4,949,356

7. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

The Company's issued and outstanding share capital is as follows:

	September 30, 2010		March 31, 2010	
	Shares	Amount	Shares	Amount
Balance, beginning of period	12,385,086	\$ 66,228,272	59,137,029	\$65,839,972
Issued for cash				
Share consolidation (i)	-	-	(53,223,607)	-
Private placement (ii)	-	-	6,471,664	388,300
Balance, end of period	12,385,086	\$66,228,272	12,385,086	\$66,228,272

BURNSTONE VENTURES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SECOND QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

7. SHARE CAPITAL (CONT'D)

i. Share consolidation

Effective August 13, 2009 all of the issued common shares of the Company were consolidated on the basis of 10 pre-consolidation common shares for 1 post-consolidation common share. The weighted average number of shares outstanding at September 30, 2009 has been retroactively adjusted and is determined as though the consolidation occurred at March 31, 2009.

ii. Private placement

In December 2009, the Company closed the first tranche of a non-brokered private placement of 5,751,664 units of the Company for gross proceeds of \$345,100. Each unit is comprised of one common share and one transferable share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company at \$0.10 per share until December 15, 2011. The issued securities were subject to a hold period until April 16, 2010. No finder's fees were paid.

In January 2010, the Company closed the second and final tranche of the non-brokered private placement of 720,000 units of the Company for gross proceeds of \$43,200. Each unit is comprised of one common share and one transferable share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company at \$0.10 per share until January 7, 2012. The issued securities were subject to a holder period until May 8, 2010. No finder's fees were paid.

On November 2, 2010, the Company announced that it had closed a non-brokered private placement, raising gross proceeds of \$133,400 (see Subsequent Events Note 15).

Stock Options

The Company has adopted an incentive stock option plan (the "Plan"). The Plan provides that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 1,182,741 (post-consolidation). Options granted under the Plan may have a maximum term of ten (10) years. The exercise price of options granted under the Plan will not be less than the greater of (i) the last closing market price of the Company's shares on the last day shares are traded prior to the grant date; and (ii) the grant date. Stock options granted under the Plan vest immediately subject to vesting terms which may be imposed at the discretion of the Directors, however, options issued to investor relations persons must vest in stages over 12 months with no more than one-quarter of the options vesting in any 3 month period.

A summary of the status of the Company's outstanding stock options as at September 30, 2010 and March 31, 2010 and changes during the periods then ended are as follows:

BURNSTONE VENTURES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SECOND QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

7. SHARE CAPITAL (CONT'D)

	September 30, 2010			March 31, 2010		
	# Options	Weighted Average Exercise Price	Weighted Average Remaining Life in Years	# Options	Weighted Average Exercise Price	Weighted Average Remaining Life in Years
Outstanding, beginning of period	920,000	\$ 0.10	4.98	3,984,375	\$ 0.35	2.73
Granted	-	-	-	920,000	0.10	-
Cancelled/forfeited	(30,000)	0.10	-	(3,984,375)	0.35	-
Outstanding, end of period	890,000	\$ 0.10	4.47	920,000	\$ 0.10	4.98

The following table provides detailed information about stock options outstanding at September 30, 2010:

Options Outstanding	Exercise Price	Expiry Date
890,000	0.10	March 22, 2015
890,000		

Warrants

A summary of the status of the Company's warrants as at September 30, 2010 and March 31, 2010 and changes during the periods then ended are as follows:

	September 30, 2010		March 31, 2010	
	# Warrants	Weighted Average Exercise Price	# Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	6,471,664	\$ 0.10	862,000	\$ 0.35
Issued (see 7(ii) above)	-	-	6,471,664	0.10
Expired	-	-	(862,000)	0.35
Outstanding, end of period	6,471,664	\$ 0.10	6,471,664	\$ 0.10

On November 2, 2010, the Company issued 2,223,333 warrants (See Subsequent Event Note 15) in conjunction with the closing of the non-brokered private placement.

BURNSTONE VENTURES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SECOND QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

7. SHARE CAPITAL (CONT'D)

The following table provides detailed information about warrants outstanding at September 30, 2010:

Warrants Outstanding	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life
5,751,664	0.10	December 15, 2011	1.07 years
<u>720,000</u>	0.10	January 7, 2012	0.14 years
<u>6,471,664</u>			

8. CONTRIBUTED SURPLUS

	<u>September 30, 2010</u>	<u>March 31, 2010</u>
Balance, beginning of period	\$ 2,201,602	\$ 2,154,746
Stock-based compensation i)	-	<u>46,856</u>
Balance, end of period	<u>\$ 2,201,602</u>	<u>\$ 2,201,602</u>

i) Stock-based compensation

During the current period, stock-based compensation has been recorded in the amount of \$Nil (September 30, 2009 - \$Nil) and included in contributed surplus. The amount is management's estimate of the fair value of the stock options granted and vested in the period, and has been expensed in the statement of operations as consulting services. The stock-based compensation value was determined using the Black-Scholes option pricing model. The fair value computed using the Black-Scholes model is only an estimate of the potential value of the individual options and the Company is not required to make payments for such transactions. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

9. CAPITAL MANAGEMENT

The Company manages its capital to ensure it will be able to continue as a going concern and continue the acquisition, exploration and development of its resource properties. The Company has no operations that generate cash flow and depends on equity sales to finance its exploration programs and administrative expenses. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record, and the experience of management. The capital structure of the Company consists of shareholder's equity, comprising issued capital and retained earnings (deficit). The Company is not exposed to any externally imposed capital requirements.

BURNSTONE VENTURES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SECOND QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

10. RELATED PARTY TRANSACTIONS AND COMMITMENTS

The following table summarizes services provided by directors and/or companies with directors in common:

	<u>September 30, 2010</u>	<u>September 30, 2009</u>
Accounting and administration	\$ 15,000	\$ 18,750
Consulting	-	39,500
Directors' fees	1,250	2,000
Geological services	-	2,000
Management fees	15,000	18,750
Rent of office space	15,000	17,000
	<u>\$ 46,250</u>	<u>\$ 98,000</u>

These related party transactions have been recorded at their exchange amounts.

At September 30, 2010, \$1,724 (March 31, 2010 - \$2,015) was due to companies controlled by directors. Amounts due to related parties, excluding loans payable, are non-interest bearing and have no specified terms of repayment.

(i) Loans from directors or companies owned by directors:

On July 20, 2009, the Company issued a loan agreement to a director of the Company and a loan agreement to a company owned by a director of the Company, in the principal amounts of \$10,000 and \$5,000, respectively, due on July 21, 2010, bearing annual interest at 10%.

On May 8, 2009, the Company issued a loan agreement to a director of the Company, in the principal amount of \$20,000 due on August 6, 2009, bearing annual interest at 10%. On May 21, 2009, the Company issued a loan agreement to a director of the Company, in the principal amount of \$10,000 due on August 19, 2009, bearing annual interest at 10%. On June 30, 2009, the due dates on the loans were extended to July 21, 2010.

On March 13, 2009, the Company issued a loan agreement to a company owned by a director of the Company, in the principal amount of \$10,000 due on September 9, 2009, bearing annual interest at 10%. On March 26, 2009, the Company issued a loan agreement to a company owned by a director of the Company, in the principal amount of \$15,000 due on September 22, 2009 and bearing annual interest at 10%. On June 30, 2009, the due dates on the loans were extended to July 21, 2010.

All loans from directors or companies owned by directors were unsecured.

During the year ended March 31, 2010, the Company repaid all of the loans to directors and companies owned by directors totalling \$70,000, plus accrued interest of \$4,118. As at March 31, 2010 and September 30, 2010 there are no outstanding loans from directors or companies owned by directors.

(ii) Non-brokered private placement:

During the year ended March 31, 2010, four of the Company's directors participated in the first tranche of the Company's non-brokered private placement, by purchasing a total of 1,801,666 units at \$0.06 per unit (See Note 7 (ii)) for details on the private placement).

On November 2, 2010, two of the Company's directors participated in the Company's non-brokered private placement, by purchasing a total of 140,000 units at \$0.06 per unit (see Subsequent Event Note 15).

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10. RELATED PARTY TRANSACTIONS AND COMMITMENTS (CONT'D)

(iii) Other commitments with related parties are as follows:

The Company has entered into a management agreement with Pender Street Corporate Consulting Ltd. ("PSCC"), a private company owned by a director, dated September 1, 2007. Under the Management Agreement, PSCC provides general management, accounting and administrative services to the Company for a fee of \$7,500 per month. The contract has an initial term of one year and automatically renews for further one-year terms. The Company may terminate the agreement by giving PSCC 90 days written notice. On June 1, 2009, the Management Agreement was amended to reflect a reduction in the fee to \$5,000 per month.

The Company has entered into a consulting agreement with a director of the Company dated September 1, 2007. The consulting agreement provides for geological advice and assistance in overseeing field operations for a fee of \$5,000 per month plus an annual bonus of \$5,000 to be paid on each anniversary date of the agreement. The agreement is for an indefinite term and either party may terminate the agreement at any time. Should the Company terminate the agreement for any reason other than each party's mutual consent or for just cause, the Company must pay a liquidated amount equal to the value of all compensation the director would have been entitled to receive for the six month period following the date of such termination. On June 1, 2009, this Consulting Agreement was terminated without any termination payment made or required. It was agreed that future services will be billed on a month-to-month basis.

The Company has entered into a consulting agreement with a director and officer of the Company dated September 1, 2007. The consulting agreement provides for advice on legal matters and property management for a fee of \$5,000 per month plus an annual bonus of \$5,000 to be paid on each anniversary date of the agreement. The agreement is for an indefinite term and either party may terminate the agreement at any time. Should the Company terminate the agreement for any reason other than each party's mutual consent or for just cause, the Company must pay a liquidated amount equal to the value of all compensation the director would have been entitled to receive for the six month period following the date of such termination. On June 1, 2009, this Consulting Agreement was terminated without any termination payment made or required. It was agreed that future services will be billed on a month-to-month basis.

11. LOANS PAYABLE

On May 12, 2009, the Company issued an unsecured loan agreement to an external third party in the principal amount of \$25,000 due on November 8, 2009 and bearing annual interest at 10%. On June 30, 2009, the due date on the loan was extended to July 21, 2010.

On July 20, 2009, the Company issued three unsecured loan agreements to external third parties in the principal amounts of \$25,000, \$10,000 and \$5,000, all due on July 21, 2010 and bearing annual interest at 10%.

During the year ended March 31, 2010, the Company repaid all of the outstanding loans payable totalling \$65,000, plus accrued interest of \$3,001. As at March 31, 2010 and September 30, 2010, there are no outstanding loans payable.

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12. SUPPLEMENTAL CASH FLOW INFORMATION

The following significant non-cash transactions have been excluded from the consolidated statements of cash flows:

September 30, 2010

There were no non-cash transactions.

September 30, 2009

There were no non-cash transactions.

13. SEGMENTED INFORMATION

The Company operates in one segment – the acquisition, exploration and development of mineral properties. As at September 30, 2010, all of the Company's operations and assets were in Canada.

14. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the presentation used in the current period.

15. SUBSEQUENT EVENT

On October 15, 2010, the Company announced that it had arranged a non-brokered private placement of up to 1,666,666 units at a price of \$0.06 per unit (the "Units") for gross proceeds of \$100,000 (the "Offering"). On November 2, 2010, the Company announced that it had closed the non-brokered private placement of 1,666,666 Units at a price of \$0.06 per Unit for gross proceeds of \$100,000. Each Unit is comprised of one common share and one transferable share purchase warrant. Each share purchase warrant will entitle the holder to purchase one additional common share in the Company at \$0.10 per share until November 2, 2012. The Private Placement was oversubscribed by an additional 556,667 Units for additional proceeds to the Company of \$33,400. As subscribers to the Private Placement, two directors of the Company acquired directly an aggregate of 140,000 Units. The gross proceeds raised by the Company for the 2,223,333 units subscribed were \$133,400. The issued securities are subject to a hold period until March 3, 2011. No finder fees were paid. Proceeds from the private placement will be used for further exploration efforts and general ongoing corporate matters.