

BURNSTONE VENTURES INC.
(FORMERLY PURE DIAMONDS EXPLORATION INC.)
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2010 AND 2009

BURNSTONE VENTURES INC.
(FORMERLY PURE DIAMONDS EXPLORATION INC.)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2010 AND 2009

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Charlton & Company
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of
Burnstone Ventures Inc.

We have audited the consolidated balance sheets of Burnstone Ventures Inc. (formerly, Pure Diamonds Exploration Inc.) as at March 31, 2010 and 2009 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Charlton & Company"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
June 11, 2010

BURNSTONE VENTURES INC.
(FORMERLY PURE DIAMONDS EXPLORATION INC.)
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2010 AND 2009

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 189,176	\$ 21,491
Goods and services tax recoverable	12,357	4,346
Marketable securities (Note 4)	9,000	6,500
Prepaid expenses and deposits	3,658	11,673
	214,191	44,010
Property, plant and equipment (Note 5)	9,798	13,994
Resource property interests (Note 6)	4,949,356	4,957,756
Reclamation bond	8,000	8,000
	\$ 5,181,345	\$ 5,023,760
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 27,651	\$ 42,550
Due to related parties (Note 11)	2,015	17,093
Loans payable (Notes 11 and 12)	-	25,000
	29,666	84,643
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	66,228,272	65,839,972
Contributed surplus (Note 8)	2,201,602	2,154,746
Accumulated other comprehensive income (loss) (Note 4)	1,500	(1,000)
Deficit	(63,279,695)	(63,054,601)
	5,151,679	4,939,117
	\$ 5,181,345	\$ 5,023,760

Nature of operations and going concern (Note 1)

Commitments (Note 11)

Approved on Behalf of the Board:

Signed: "Gordon Keevil"
 Director

Signed: "Eugene Beukman"
 Director

BURNSTONE VENTURES INC.
(FORMERLY PURE DIAMONDS EXPLORATION INC.)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEARS ENDED MARCH 31, 2010 AND 2009

	2010	2009
ADMINISTRATIVE EXPENSES		
Amortization	\$ 3,500	\$ 6,450
Audit and accounting	59,250	70,500
Consulting services:		
- Fees	49,565	92,640
- Stock-based compensation (Note 8)	46,856	3,593
Insurance	440	5,835
Interest	7,119	-
Legal	16,776	7,197
Management fees	32,500	45,000
Office facilities and administrative services	110,247	110,821
Shareholder information and printing	18,661	19,808
Transfer agent, filing and stock exchange fees	26,313	31,828
Travel and promotion	2,157	24,618
	<u>373,384</u>	<u>418,290</u>
LOSS BEFORE OTHER ITEMS	(373,384)	(418,290)
OTHER ITEMS		
Interest income	6	12,441
Impairment of resource property interests (Note 6)	-	(105,687)
Gain on sale of resource property interests (Note 6)	148,980	-
Loss on retirement of property, plant and equipment	(696)	-
	<u>148,290</u>	<u>(93,246)</u>
NET LOSS FOR THE YEAR	(225,094)	(511,536)
DEFICIT , beginning of year	<u>(63,054,601)</u>	<u>(62,543,065)</u>
DEFICIT , end of year	\$ (63,279,695)	\$ (63,054,601)
BASIC AND DILUTED LOSS PER SHARE		
	\$ (0.03)	\$ (0.09)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
	<u>7,780,741</u>	<u>5,913,703</u>

BURNSTONE VENTURES INC.
(FORMERLY PURE DIAMONDS EXPLORATION INC.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
YEARS ENDED MARCH 31, 2010 AND 2009

	2010	2009
NET LOSS FOR THE YEAR BEFORE OTHER COMPREHENSIVE LOSS	\$ (225,094)	\$ (511,536)
Unrealized gain (loss) on available for sale investment	<u>2,500</u>	<u>(12,500)</u>
COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (222,594)</u>	<u>\$ (524,036)</u>

BURNSTONE VENTURES INC.
(FORMERLY PURE DIAMONDS EXPLORATION INC.)
CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
YEARS ENDED MARCH 31, 2010 AND 2009

	2010	2009
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), beginning of year	\$ (1,000)	\$ 11,500
Unrealized gain (loss) on available for sale investments for the year	<u>2,500</u>	<u>(12,500)</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), end of year	<u>\$ 1,500</u>	<u>\$ (1,000)</u>

BURNSTONE VENTURES INC.
(FORMERLY PURE DIAMONDS EXPLORATION INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2010 AND 2009

	2010	2009
OPERATING ACTIVITIES		
Net loss for the year	\$ (225,094)	\$ (511,536)
Adjustments for non-cash items:		
Amortization	3,500	6,450
Stock-based compensation	46,856	3,593
Impairment of resource property interests	-	105,687
Gain on sale of resource property interests	(148,980)	-
Loss on retirement of property, plant and equipment	696	-
	<u>(323,022)</u>	<u>(395,806)</u>
Changes in non-cash operating accounts:		
Goods and services tax recoverable	(8,011)	2,179
Prepaid expenses and deposits	8,015	20,493
Accounts payable and accrued liabilities	(14,878)	22,887
Due to related parties	(15,078)	16,043
	<u>(352,974)</u>	<u>(334,204)</u>
FINANCING ACTIVITIES		
Shares issued for cash	388,300	-
Share issue costs refunded	-	4,778
Proceeds from loans payable (Note 12)	65,000	-
Repayment of loans payable (Note 12)	(65,000)	-
Proceeds from related party loans (Note 11)	45,000	25,000
Repayment of related party loans (Note 11)	(70,000)	-
	<u>363,300</u>	<u>29,778</u>
INVESTING ACTIVITIES		
Deferred exploration costs	7,359	(676,669)
Proceeds from sale of resource property interest	150,000	-
Property, plant and equipment purchased	-	(9,920)
	<u>157,359</u>	<u>(686,589)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	167,685	(991,015)
CASH AND CASH EQUIVALENTS, beginning of year	21,491	1,012,506
CASH AND CASH EQUIVALENTS, end of year	\$ 189,176	\$ 21,491
Interest paid in cash (Notes 11 and 12)	\$ 7,119	\$ -
Income taxes paid in cash	\$ -	\$ -

SUPPLEMENTAL CASH FLOW INFORMATION (Note 14)

- See Accompanying Notes -

BURNSTONE VENTURES INC.
(FORMERLY PURE DIAMONDS EXPLORATION INC.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2010 AND 2009

1. NATURE OF OPERATIONS AND GOING CONCERN

Burnstone Ventures Inc. (formerly Pure Diamonds Exploration 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.

During the year ended March 31, 2010, the Company's shareholders passed a special resolution to consolidate all of the Company's issued and outstanding common shares (see Note 7(i)). The Company also received Canadian National Stock Exchange ("CNSX") acceptance and proceeded with (i) the consolidation on the basis of one post-consolidation common share for every ten pre-consolidation common shares and (ii) the Company's name change to "Burnstone Ventures Inc." (formerly "Pure Diamonds Exploration Inc."). Fractional shares remaining after giving effect to the consolidation were cancelled, such that shareholdings of each shareholder will be rounded down to the nearest whole number of post-consolidation common shares. The record date for the consolidation was after the close of trading on August 18, 2009.

On July 24, 2009, the Company was listed on the CNSX and commenced trading under the symbol BVE. On July 31, 2009, the Company was delisted from the Toronto Stock Exchange. Trading on a *post-consolidated* basis under the new name "Burnstone Ventures Inc." commenced on the CNSX at the opening of trading on August 14, 2009. A full description of the transactions summarized above is contained in the Company's Management Information Circular dated June 15, 2009, which has been filed on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) and is available for viewing under the Company's name at www.sedar.com.

These 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 March 31, 2010, the Company had not yet achieved profitable operations, had accumulated losses of \$63,279,695 since its inception, had working capital of \$184,525 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 11), 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. Management recognizes that the Company will need 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.

During the year ended March 31, 2010, the Company completed a non-brokered private placement, raising gross proceeds of \$388,300 (Note 7).

BURNSTONE VENTURES INC.
(FORMERLY PURE DIAMONDS EXPLORATION INC.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2010 AND 2009

1. NATURE OF OPERATIONS AND GOING CONCERN (CONT'D)

Management believes that the Company will be able to continue to raise additional funds and has prepared these consolidated financial statements on a going concern basis. Realization values may be substantially different from the carrying values as presented in the 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 years presented have been reflected in these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The consolidated financial statements include the accounts of the company's inactive wholly owned subsidiaries, Burnstone Ventures (Alberta) Inc. and Burnstone Ventures (Northwest Territories) Inc. All inter-company balances and transactions have been eliminated upon consolidation.

Resource property interests

The Company records the acquisition of resource property interests at cost which does not necessarily nor is it intended to reflect market or recoverable value. Value is dependent upon the successful funding and development of the mineral interests and is subject to measurement uncertainty. Exploration and development expenditures are deferred and are charged to the property until such time as the project is put into commercial production, sold, abandoned, or when delays in the development process require a revaluation. Where a property is abandoned, the accumulated acquisition and deferred costs relating to that property are written off to operations.

Proceeds on dispositions of partial interests on properties or areas are credited as a reduction of carrying costs. No profit or loss is realized until all of the related costs have been offset by disposition proceeds. If a property or area is placed into commercial production, accumulated costs to production will be amortized on the unit of production method.

Management reviews capitalized costs on its mineral properties on an annual basis at the balance sheet date and will recognize impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or sale of the property. The recovery of capitalized costs are subject to measurement uncertainty and if it is reasonably possible, based on then existing knowledge, that the changes in future conditions in the near term could require a material change in the recognized amount.

Exploration costs renounced due to Flow-through Share Subscription Agreements remain capitalized, however, for corporate income tax purposes, the Company has no right to claim these costs as tax deductible expenses.

Some of the Company's mineral interests are acquired, operated and funded in conjunction with other third parties under participation agreements.

BURNSTONE VENTURES INC.
(FORMERLY PURE DIAMONDS EXPLORATION INC.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2010 AND 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Resource property interests (cont'd)

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 and regulatory requirements.

Property investigation costs

Costs incurred for the initial review of mineral property prospects, where no interests are acquired within the area of investigation, are expensed in the period incurred.

Asset retirement obligations

The Company records a liability for an asset retirement obligation in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made. Furthermore, a corresponding asset retirement cost is recognized by increasing the carrying amount of the related long-lived asset. The asset's retirement cost is subsequently amortized in a rational and systematic method over the underlying assets useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortization.

Amortization of leasehold improvements is calculated using the straight-line method over 62 months (lease term).

Amortization of all other equipment is calculated using the declining balance method at the following annual rates:

Computer equipment	30%
Office and field equipment	20%
Software	100%

Under the declining balance method, amortization is recorded at one-half the normal rate in the year of acquisition.

Loss per share

Loss per share is calculated using the weighted average number of shares outstanding.

The Company uses the treasury stock method for computing diluted earnings (loss) per share. This method assumes that any proceeds obtained upon exercise of options or warrants would be used to purchase common shares at the average market price during the period.

Diluted loss per share is equal to loss per share as the effect of applying the treasury stock method is anti-dilutive.

BURNSTONE VENTURES INC.
(FORMERLY PURE DIAMONDS EXPLORATION INC.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2010 AND 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of resource property interests, fair value of back-in arrangements, asset retirement obligations, expected tax rates for future income tax recoveries, fair values of share based payments, and useful lives for depreciation and amortization of long-lived assets. These estimates are subject to measurement uncertainty and are based on then existing knowledge. It is reasonably possible that changes in future conditions in the near term could require a material change in the recognized amount and that financial results as determined by actual events could differ from those estimates.

Income taxes

Future income taxes are recorded using the asset and liability method. Using the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment occurs. To the extent that the Company does not consider it more likely than not a future tax asset will be recovered, it provides a valuation allowance against the excess.

Long-lived assets and impairment

The carrying values of long-lived assets with fixed or determinable lives are reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value determinations are based on management's estimates of undiscounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the period in which the determination of impairment is made by management.

Assets with indefinite or indeterminable lives are not amortized and are reviewed for impairment on a reporting period basis using fair value determinations through management's estimate of recoverable value.

Share capital – flow-through shares

The Company provides certain share subscribers with a flow-through component for tax benefits available on qualifying Canadian exploration, development and related provincial grants.

Upon renunciation to the shareholders, the Company reduces share capital and records a temporary future income tax liability for the amount of the tax benefit renounced to shareholders. In instances where the Company has sufficient deductible temporary differences available to offset the future income tax liability created from renouncing qualifying expenditures, the realisation of the deductible temporary differences will be shown as a recovery in income in the period of renunciation.

BURNSTONE VENTURES INC.
(FORMERLY PURE DIAMONDS EXPLORATION INC.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2010 AND 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Stock-based compensation

The Company measures all stock-based awards using the fair value method. All awards are expensed or allocated to specific asset accounts as applicable in the period of grant, vesting or pricing revision. An equivalent fair value amount is credited to contributed surplus.

The fair value of options and other stock-based awards issued or altered in the period, are determined using the Black-Scholes option pricing model (Note 8). Upon the exercise of stock options or agents warrants, the fair value of the share based award is allocated to share capital with the exercise proceeds.

Share issue costs

Share issue costs incurred on the issue of the Company's shares are charged directly to share capital.

Financial instruments – recognition and measurement

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, available for sale, held to maturity, loans and receivables, or other liabilities.

Financial assets and liabilities classified as held for trading are required to be measured at fair value, with gains and losses recognized in net earnings.

Financial assets classified as held to maturity, loans and receivables and financial liabilities (other than those held for trading) are required to be measured at amortized cost using the effective interest method of amortization.

Available for sale financial assets are required to be measured at fair value, with unrealized gains and losses recognized in other comprehensive income. Investments in equity instruments classified as available for sale that do not have a quoted market price in an active market should be measured at cost.

The Company classified its financial instruments as follows:

- Cash and cash equivalents are classified as held for trading.
- Marketable securities are classified as available for sale.
- Accounts payable and accrued liabilities, due to related parties and loans payable have been classified as other liabilities.

The criteria for designating items as held for trading include financial assets that were acquired principally with the intention of generating a profit from price fluctuation. Available for sale assets are all financial assets not classified as either held for trading, accounts receivable, or held to maturity.

Where the Company has production royalties or net smelter royalties with property vendors, these are determined to be derivative instruments. The fair value of these derivative instruments is not reliably determinable until proven economically recoverable reserves have been identified.

BURNSTONE VENTURES INC.
(FORMERLY PURE DIAMONDS EXPLORATION INC.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2010 AND 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments – disclosures and presentations

Section 3862 – “Financial Instruments — Disclosures”, describes the required disclosure for the assessment of the significance of financial instruments for an entity’s financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. The Company has included disclosures recommended by this section in Note 9 of these consolidated financial statements.

Section 3863 – “Financial Instruments — Presentation”, establishes standards for presentation of financial instruments and non-financial derivatives. This standard did not have an effect on the Company’s consolidated financial statements.

Capital disclosures

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 Company has included disclosures recommended by this section in Note 10 of these financial statements.

Comprehensive income

The Company follows CICA Handbook Section 1530 “comprehensive income” which establishes standards for reporting and presenting comprehensive income. Comprehensive income is the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net earnings.

Risk management

The Company is engaged in resource exploration and development and is accordingly exposed to environmental risks associated with such activity. The properties the Company holds interests in are currently in the initial exploration stages and it has not been determined whether significant site reclamation costs will be required. The Company would only record liabilities for site reclamation when reasonably determinable and when such costs can be reliably quantified. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year presentation.

Goodwill and intangible assets

CICA Section 3064 replaces Section 3062 Goodwill and Other Intangible Assets”, and Section 3450, Research and Development Costs”. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new section is effective for years beginning on or after October 1, 2008. Accordingly, the Company adopted the new standards during the prior year. The adoption of this section did not have a material effect on the financial position or earnings of the Company.

BURNSTONE VENTURES INC.
(FORMERLY PURE DIAMONDS EXPLORATION INC.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Warrants

Warrants included in units offered to subscribers in connection with financings are valued using the residual value method whereby proceeds are first allocated to the fair value of the shares and the excess if any, allocated to the warrants.

3. CHANGE IN ACCOUNTING POLICIES

Accounting standards newly adopted

Financial statement concepts

Effective for financial statements relating to fiscal years beginning on or after October 1, 2008, CICA Handbook Section 1000 "Financial Statement Concepts" was revised to remove material that permitted the recognition of assets that might not otherwise meet the definition of an asset and to add guidance from the International Accounting Standards Board's (IASB) "Framework for the Preparation and Presentation of Financial Statements" that helps distinguish assets from expenses. The adoption of this section did not have an impact on the financial statements.

Financial instruments disclosures

The additional fair value measurement disclosures include classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

These amendments are required to be adopted for the fiscal years ending after September 30, 2009. The Company has adopted these amendments for the year ended March 31, 2010. The adoption of this standard is consistent with recent amendments to financial instrument disclosure standards in IFRS. All of the financial instruments measured at fair value are included in Level 1.

BURNSTONE VENTURES INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. CHANGE IN ACCOUNTING POLICIES (CONT'D)

New accounting standards not yet adopted

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 has begun assessing the adoption of IFRS for 2011 and has discussed its plan in the Company's Management's Discussion and Analysis for the year ended March 31, 2010.

Business combinations, consolidated financial statements and non-controlling interest

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011.

Section 1582 replaces sections 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3 – Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standards IAS 27 – Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. MARKETABLE SECURITIES

	Cost	Fair Value	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.

	Cost	Fair Value	2009 Unrealized Holdings Gain (Loss)
Available for sale			
Bard Ventures Ltd. - 100,000 shares	\$ 7,500	\$ 6,500	\$ (1,000)

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, 2009.

BURNSTONE VENTURES INC.
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5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	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>

	Cost	Accumulated Amortization	2009 Net Book Value
Computer equipment	\$ 15,359	\$ 9,856	\$ 5,503
Leasehold improvements	4,673	904	3,769
Office equipment	5,247	525	4,722
Software	5,478	5,478	-
	<u>\$ 30,757</u>	<u>\$ 16,763</u>	<u>\$ 13,994</u>

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6. RESOURCE PROPERTY INTERESTS

	2010			2009		
	Acquisition Costs	Exploration Costs	Total	Acquisition Costs	Exploration Costs	Total
Baffin Island/High Arctic						
Assays (recovery)	\$ -	\$ -	\$ -	\$ -	\$ 101,704	\$ 101,704
Field expenses (recovery)	(10,000)	-	(10,000)	(38,500)	9,627	(28,873)
Field office	-	-	-	-	5,640	5,640
Geological	-	1,020	1,020	-	123,314	123,314
Geophysical survey	-	-	-	-	6,300	6,300
Helicopter and fixed wing	-	-	-	-	6,050	6,050
Labour	-	-	-	-	281,601	281,601
Land administration	-	540	540	-	583	583
Management fees	-	-	-	-	5,166	5,166
Travel and transportation	-	-	-	-	185	185
Costs incurred during year	(10,000)	1,560	(8,440)	(38,500)	540,170	501,670
Balance, beginning of year	486,500	4,467,159	4,953,659	525,000	4,002,776	4,527,776
Impairment	-	-	-	-	(75,787)	(75,787)
Balance, end of year	\$476,500	\$4,468,719	\$4,945,219	\$486,500	\$4,467,159	\$4,953,659
Other						
Drafting	\$ -	\$ -	\$ -	\$ -	\$ 829	\$ 829
Geological and geophysical	-	1,020	1,020	-	28,400	28,400
Labour/land administration	-	40	40	-	762	762
Costs incurred during year	-	1,060	1,060	-	29,991	29,991
Sale of resource property	-	(1,020)	(1,020)	-	-	-
Balance, beginning of year	3	4,094	4,097	3	4,003	4,006
Impairment	-	-	-	-	(29,900)	(29,900)
Balance, end of year	\$ 3	\$ 4,134	\$ 4,137	\$ 3	\$ 4,094	\$ 4,097
Total	\$ 476,503	\$ 4,472,853	\$ 4,949,356	\$ 486,503	\$ 4,471,253	\$ 4,957,756

Baffin Island / High Arctic Diamond Properties

On May 15, 2006, the Company signed an option agreement with De Beers, whereby the Company can earn an 85% interest in six projects in Nunavut. The properties within the High Arctic Portfolio include Baffin Island, Eden Point, Muskox Hill, Chartrand Lake, Byron Bay and Mount Pelly totaling approximately 10.8 million hectares (26.8 million acres). To earn this interest, the Company must issue 2,187,500 common shares (issued) and incur exploration expenditures totaling \$15,000,000 by December 31, 2008. As part of the agreement, De Beers acquired 1,250,000 units at a price of \$0.48 per unit during the first year of the agreement and 1,724,000 units at a price of \$0.29 per unit during the second year of the agreement. Due diligence was completed on the Byron Bay and Mount Pelly properties and both properties were abandoned on their natural permit expiration date on January 31, 2007. The option agreement was terminated effective April 24, 2008 and was replaced with an agreement whereby De Beers transferred its 100% interest in the Baffin Island property to the Company in exchange for a 1% gross overriding royalty interest. De Beers retained its interest in the remaining High Arctic properties and as a result, the Company wrote off all costs incurred on these remaining properties in the prior year.

Other Properties

The Company holds a number of Canadian property interests in the Northwest Territories and Nunavut. During the year ended March 31, 2010, the Company sold its interest in the Buffalo Hill project in north central Alberta. The Company received \$150,000 cash and was granted a 1% royalty interest in the Buffalo Hills project. As a result of the sale, the Company recorded a gain on sale of resource property interest of \$148,980. No other cash payments or shares were issued pursuant to the Company's other resource property interests during the current year.

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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:

	2010		2009	
	Shares	Amount	Shares	Amount
Balance, beginning of year	59,137,029	\$ 65,839,972	59,137,029	\$65,835,194
Issued for cash				
Share consolidation (i)	(53,223,607)	-	-	-
Private placement (ii)	6,471,664	388,300	-	-
Cash issue costs	-	-	-	4,778
	(46,751,943)	388,300	-	4,778
Less: Value of future tax benefit related to flow-through shares	-	-	-	-
Balance, end of year	12,385,086	\$66,228,272	59,137,029	\$65,839,972

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 (see Note 1). The weighted average number of shares outstanding at March 31, 2010 and 2009 has been retroactively adjusted and is determined as though the consolidation occurred at March 31, 2008.

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 hold period until May 8, 2010. No finder's fees were paid.

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7. SHARE CAPITAL (CONT'D)

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 March 31, 2010 and March 31, 2009 and changes during the years then ended are as follows:

	2010			2009		
	# 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 year	3,984,375	\$ 0.35	2.73	4,981,583	\$ 0.47	3.07
Granted	920,000	0.10	-	70,000	0.08	-
Expired	-	-	-	(1,067,208)	0.86	-
Cancelled/forfeited	(3,984,375)	0.35	-	-	-	-
Outstanding, end of year	920,000	\$ 0.10	4.98	3,984,375	\$ 0.35	2.73

The following table provides detailed information about stock options outstanding at March 31, 2010:

Options Outstanding	Exercise Price	Expiry Date
920,000	0.10	March 22, 2015
920,000		

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7. SHARE CAPITAL (CONT'D)

Warrants

A summary of the status of the Company's warrants as at March 31, 2010 and March 31, 2009 and changes during the years then ended are as follows:

	<u>2010</u>		<u>2009</u>	
	<u># Warrants</u>	<u>Weighted Average Exercise Price</u>	<u># Warrants</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of year	862,000	\$ 0.35	7,189,883	\$ 0.40
Issued (see 7(ii) above)	6,471,664	0.10	-	-
Expired (iii)	(862,000)	0.35	(6,327,883)	0.41
Outstanding, end of year	<u>6,471,664</u>	<u>\$ 0.10</u>	<u>862,000</u>	<u>\$ 0.35</u>

(ii) The 862,000 warrants expired unexercised on June 5, 2009.

The following table provides detailed information about warrants outstanding at March 31, 2010:

<u>Warrants Outstanding</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Weighted Average Remaining Contractual Life</u>
5,751,664	0.10	December 15, 2011	1.52 years
<u>720,000</u>	0.10	January 7, 2012	0.20 years
<u>6,471,664</u>			

8. CONTRIBUTED SURPLUS

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 2,154,746	\$ 2,151,153
Additions:		
Stock-based compensation i)	<u>46,856</u>	<u>3,593</u>
Balance, end of year	<u>\$ 2,201,602</u>	<u>\$ 2,154,746</u>

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8. CONTRIBUTED SURPLUS (CONT'D)

i) Stock-based compensation

During the current year stock-based compensation has been recorded in the amount of \$46,856 (2009 - \$3,593) and included in contributed surplus. The amount is management's estimate of the fair value of the stock options granted and vested in the year, and has been expensed in the statement of operations as consulting services. The weighted average fair value of options granted and vested during the year is approximately \$0.05 (2009 - \$0.05) per option.

The above fair value amounts were calculated using the Black Scholes option pricing model using the following current assumptions:

	<u>2010</u>	<u>2009</u>
Risk free interest rate	2.78%	3.12%
Expected life	5 years	5 years
Expected volatility	118%	71%
Dividend yield	0%	0%

9. 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, goods and services tax recoverable, reclamation bond, accounts payable and accrued liabilities, due to related parties and loans payable 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 March 31, 2010. As at March 31, 2010, the fair value exceeded the costs of these assets by \$1,500.

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 GST recoverable. Cash is held with a reputable Canadian institution and GST recoverable is due from the government of Canada. Management believes the risk of loss to be minimal.

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9. FINANCIAL INSTRUMENTS (CONT'D)

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 11) and "Loans Payable" (Note 12)).

10. 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.

11. RELATED PARTY TRANSACTIONS AND COMMITMENTS

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

	<u>2010</u>	<u>2009</u>
Accounting and administration	\$ 32,500	\$ 45,000
Consulting	39,500	88,500
Directors' fees	3,750	10,000
Geological services	2,000	54,500
Management fees	32,500	45,000
Rent of office space	29,000	45,538
	<u>\$ 139,250</u>	<u>\$ 288,538</u>

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

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

The following table summarizes due to related parties:

	2010	2009
Accounting and administration, management fees, other consulting fees	\$ 2,015	\$ 17,093
Loans from directors or companies owned by directors (see (i) below)	-	25,000
	\$ 2,015	\$ 42,093

Amounts due to related parties, excluding loans, 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 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).

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11. 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.

12. 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 there are no outstanding loans payable.

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13. INCOME TAXES

The Company has available the following tax pools which may be carried forward to apply against future income for tax purposes. Management believes the realization of the income tax benefits related to these pools is uncertain at this time and cannot be viewed as more likely than not, except to the extent income tax benefits have been realized to off-set tax liabilities arising from renounced flow-through expenditures. Accordingly, the Company has recorded a valuation allowance for any remaining future income tax asset.

The income taxes shown in the Statements of Operations differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

	<u>2010</u>	<u>2009</u>
Statutory tax rate	30%	30%
Loss before income taxes	\$ (225,094)	\$ (511,536)
Expected income tax recovery	(67,528)	(153,461)
Increase (decrease) in income tax recovery resulting from:		
Items deductible and not deductible for income tax purposes	14,309	(44,180)
Non-capital losses expired	186,495	226,928
Change in statutory rates	863,666	262,321
Change in valuation allowance	(996,942)	(291,608)
Future income tax expense (recovery)	<u>\$ -</u>	<u>\$ -</u>
Details of future income taxes are as follows:		
	<u>2010</u>	<u>2009</u>
Non-capital and net capital losses	\$ 1,834,872	\$ 2,266,978
Resource expenditures	2,224,214	2,713,751
Equipment and other	72,130	147,429
	4,131,216	5,128,158
Less: valuation allowance	<u>(4,131,216)</u>	<u>(5,128,158)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company has approximately \$5,737,000 of non-capital losses available, which begin to expire in 2011 through to 2030 and may be applied against future taxable income. The Company also has approximately \$3,200,000 of capital losses that may be carried forward and applied against future capital gains. In addition, the Company has approximately \$13,846,000 of exploration and development costs which are available for deduction against future income for tax purposes.

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14. SUPPLEMENTAL CASH FLOW INFORMATION

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

2010

There were no non-cash transactions.

2009

There were no non-cash transactions.

15. SEGMENTED INFORMATION

The Company operates in one segment – the acquisition, exploration and development of mineral properties. As at March 31, 2010, all of the Company's operations and assets were in Canada.