

BURNSTONE VENTURES INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2011 AND 2010

BURNSTONE VENTURES INC.**CONSOLIDATED FINANCIAL STATEMENTS**

YEARS ENDED MARCH 31, 2011 AND 2010

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A CHAN AND COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To: the Shareholders of
Burnstone Ventures Inc.

We have audited the accompanying consolidated financial statements of Burnstone Ventures Inc. ("the Company"), which comprise the consolidated balance sheet as at March 31, 2011 and the consolidated statement of operations, comprehensive loss and deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Burnstone Ventures Inc. as at March 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of \$256,109 during the year ended March 31, 2011 and, as of that date, had an accumulated deficit of \$63,535,804 since inception. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter

The consolidated financial statements of the Company for the year ended March 31, 2010, were audited by another auditor who expressed an unmodified opinion on those statements on June 11, 2010.

"A Chan and Company LLP"
Chartered Accountants

Vancouver, British Columbia
July 15, 2011

BURNSTONE VENTURES INC.
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2011 AND 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 75,177	\$ 189,176
HST/GST recoverable	4,809	12,357
Marketable securities (Note 5)	8,850	9,000
Prepaid expenses and deposits	3,658	3,658
	92,494	214,191
Property, plant and equipment (Note 6)	7,191	9,798
Deferred acquisition costs (Note 8)	14,988	-
Resource property interests (Note 7)	4,982,394	4,949,356
Reclamation bond	-	8,000
	\$ 5,097,067	\$ 5,181,345
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 23,364	\$ 27,651
Due to related parties (Note 12)	1,215	2,015
	24,579	29,666
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	66,361,672	66,228,272
Contributed surplus (Note 10)	2,245,270	2,201,602
Accumulated other comprehensive income (Note 5)	1,350	1,500
Deficit	(63,535,804)	(63,279,695)
	5,072,488	5,151,679
	\$ 5,097,067	\$ 5,181,345

Nature of operations and going concern (Note 1)

Loans payable (Note 12 and 13)

Commitments (Note 12)

Subsequent Events (Note 17)

Approved on Behalf of the Board:

Signed: "Douglas Fulcher"

Director

Signed: "Eugene Beukman"

Director

- See Accompanying Notes -

BURNSTONE VENTURES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEARS ENDED MARCH 31, 2011 AND 2010

	2011	2010
ADMINISTRATIVE EXPENSES		
Amortization	\$ 2,607	\$ 3,500
Audit and accounting	50,000	59,250
Consulting services:		
- Fees	5,660	49,565
- Stock-based compensation (Note 10)	43,668	46,856
Insurance	450	440
Interest	-	7,119
Legal	7,958	16,776
Management fees	30,000	32,500
Office facilities and administrative services	62,339	110,247
Property investigation	11,900	-
Shareholder information and printing	18,855	18,661
Transfer agent, filing and stock exchange fees	14,948	26,313
Travel and promotion	4,253	2,157
	<u>252,638</u>	<u>373,384</u>
LOSS BEFORE OTHER ITEMS	(252,638)	(373,384)
OTHER ITEMS		
Interest income	664	6
Impairment of resource property interests (Note 7)	(4,135)	-
Gain on sale of resource property interests (Note 7)	-	148,980
Loss on retirement of property, plant and equipment	-	(696)
	<u>(3,471)</u>	<u>148,290</u>
NET LOSS FOR THE YEAR	(256,109)	(225,094)
DEFICIT, beginning of year	<u>(63,279,695)</u>	<u>(63,054,601)</u>
DEFICIT, end of year	\$ (63,535,804)	\$ (63,279,695)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.02)	\$ (0.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>13,298,784</u>	<u>7,780,741</u>

BURNSTONE VENTURES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED MARCH 31, 2011 AND 2010

	2011	2010
NET LOSS FOR THE YEAR BEFORE OTHER COMPREHENSIVE LOSS	\$ (256,109)	\$ (225,094)
Unrealized gain (loss) on available for sale investments	<u>(150)</u>	<u>2,500</u>
COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (256,259)</u>	<u>\$ (222,594)</u>

BURNSTONE VENTURES INC.
CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
YEARS ENDED MARCH 31, 2011 AND 2010

	2011	2010
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), beginning of year	\$ 1,500	\$ (1,000)
Unrealized gain (loss) on available for sale investments for the year	<u>(150)</u>	<u>2,500</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME, end of year	<u>\$ 1,350</u>	<u>\$ 1,500</u>

BURNSTONE VENTURES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2011 AND 2010

	2011	2010
OPERATING ACTIVITIES		
Net loss for the year	\$ (256,109)	\$ (225,094)
Adjustments for non-cash items:		
Amortization	2,607	3,500
Stock-based compensation (Note 10)	43,668	46,856
Impairment of resource property interests	4,135	-
Gain on sale of resource property interests	-	(148,980)
Loss on retirement of property, plant and equipment	-	696
	<u>(205,699)</u>	<u>(323,022)</u>
Changes in non-cash operating accounts:		
HST/GST recoverable	7,548	(8,011)
Prepaid expenses and deposits	-	8,015
Accounts payable and accrued liabilities	(4,287)	(14,878)
Due to related parties	(800)	(15,078)
	<u>(203,238)</u>	<u>(352,974)</u>
FINANCING ACTIVITIES		
Shares issued for cash (Note 9)	133,400	388,300
Proceeds from loans payable (Note 13)	-	65,000
Repayment of loans payable (Note 13)	-	(65,000)
Proceeds from related party loans (Note 12)	-	45,000
Repayment of related party loans (Note 12)	-	(70,000)
	<u>133,400</u>	<u>363,300</u>
INVESTING ACTIVITIES		
Deferred exploration costs	(37,173)	7,359
Deferred acquisition costs	(14,988)	-
Proceeds from sale of resource property interest	-	150,000
Proceeds from reclamation bond	8,000	-
	<u>(44,161)</u>	<u>157,359</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(113,999)	167,685
CASH AND CASH EQUIVALENTS, beginning of year	189,176	21,491
CASH AND CASH EQUIVALENTS, end of year	\$ 75,177	\$ 189,176
Interest paid in cash (Notes 12 and 13)	\$ -	\$ 7,119
Income taxes paid in cash	\$ -	\$ -
SUPPLEMENTAL CASH FLOW INFORMATION (Note 15)		

- See Accompanying Notes -

BURNSTONE VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011 AND 2010

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 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, 2011, the Company had not yet achieved profitable operations, had accumulated losses of \$63,535,804 since its inception, had working capital of \$67,915 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 12), 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 completed a non-brokered private placement, raising gross proceeds of \$133,400 (see Note 9).

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 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.

BURNSTONE VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011 AND 2010

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.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011 AND 2010

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.

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.

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.

BURNSTONE VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011 AND 2010

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.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011 AND 2010

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 10). 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.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011 AND 2010

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 4 of these consolidated financial statements.

The 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. All of the financial instruments measured at fair value are included in Level 1.

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 11 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.

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.

BURNSTONE VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011 AND 2010

3. 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 a significant 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 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, 2011.

BURNSTONE VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011 AND 2010

4. 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 March 31, 2011. As at March 31, 2011, the fair value exceeded the cost of these assets by \$1,350.

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 12) and "Loans Payable" (Note 13)).

BURNSTONE VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011 AND 2010

5. MARKETABLE SECURITIES

	Cost	Fair Value	2011 Unrealized Holdings Gain (Loss)
Available for sale			
Bard Ventures Ltd. - 100,000 shares	\$ 7,000	\$ 8,000	\$ 1,000
Beatrix Ventures Inc. – 10,000 shares	500	850	350
	<u>\$ 7,500</u>	<u>\$ 8,850</u>	<u>\$ 1,350</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 March 31, 2011.

	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.

BURNSTONE VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011 AND 2010

6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	2011 Net Book Value
Computer equipment	\$ 11,920	\$ 9,710	\$ 2,210
Leasehold improvements	4,673	2,714	1,959
Office equipment	5,247	2,225	3,022
Software	526	526	-
	<u>\$ 22,366</u>	<u>\$ 15,175</u>	<u>\$ 7,191</u>

	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>

BURNSTONE VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011 AND 2010

7. RESOURCE PROPERTY INTERESTS

	2011			2010		
	Acquisition Costs	Exploration Costs	Total	Acquisition Costs	Exploration Costs	Total
<i>Baffin Island/High Arctic</i>						
Field expenses (recovery)	\$ (3,200)	\$ 1,785	\$ (1,415)	\$ (10,000)	\$ -	\$ (10,000)
Field office	-	304	304	-	-	-
Geological	-	1,924	1,924	-	1,020	1,020
Helicopter	-	33,879	33,879	-	-	-
Labour	-	153	153	-	-	-
Land administration	-	-	-	-	540	540
Management fees	-	1,809	1,809	-	-	-
Travel and transportation	-	519	519	-	-	-
Costs incurred during year	(3,200)	40,373	37,173	(10,000)	1,560	(8,440)
Balance, beginning of year	476,500	4,468,719	4,945,219	486,500	4,467,159	4,953,659
Balance, end of year	\$ 473,300	\$ 4,509,092	\$ 4,982,392	\$ 476,500	\$ 4,468,719	\$ 4,945,219
<i>Other</i>						
Geological and geophysical	\$ -	\$ -	\$ -	\$ -	\$ 1,020	\$ 1,020
Labour/land administration	-	-	-	-	40	40
Costs incurred during year	-	-	-	-	1,060	1,060
Sale of resource property	-	-	-	-	(1,020)	(1,020)
Balance, beginning of year	3	4,134	4,137	3	4,094	4,097
Impairment	(1)	(4,134)	(4,135)	-	-	-
Balance, end of year	\$ 2	\$ -	\$ 2	\$ 3	\$ 4,134	\$ 4,137
Total	\$ 473,302	\$ 4,509,092	\$ 4,982,394	\$ 476,503	\$ 4,472,853	\$ 4,949,356

During the year ended March 31, 2011, the Company conducted an annual review of its resource property interests and recorded an impairment in the amount of \$4,135 (2010 - \$nil) on various non-core property interests as the Company had no plans to conduct further exploration on these 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 year.

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8. DEFERRED ACQUISITION COSTS

On March 21, 2011, the Company signed a letter of intent to acquire all of the shares of Tomichi Copper Corp. ("Tomichi"), which has the right to acquire a 100% interest in the Tomichi copper-molybdenum porphyry project in Gunnison County, south-central Colorado, (the "Project").

Subject to approval of the Board of the Company and all regulatory authorities, the Company would issue 3.1 million shares for the acquisition of Tomichi, and pay a finder's fee in compliance with the regulations of the Canadian National Stock Exchange. Tomichi, through its US subsidiary, has the right to purchase a 100% interest in the Project for an exercise price of \$4 million US on or before the seventh anniversary of the option agreement (the "Option").

A payment of \$14,988 (US \$15,000) required on signing and paid during the year ended March 31, 2011 was recorded as a deferred acquisition cost. Until the Option is exercised, to obtain and maintain the Option, the Company shall pay for a term of six years the following amounts (the "Annual Payments"):

- US \$40,000 on or before May 1, 2011 (paid subsequent to March 31, 2011)
- US \$60,000 on or before May 1, 2012
- US \$80,000 on or before May 1, 2013
- US \$125,000 on or before May 1, 2014
- US \$150,000 on or before May 1, 2015
- US \$180,000 on or before May 1, 2016

If the Option is exercised, no further Annual Payments are required. The current owners will retain a 1.5% Net Smelter Royalty. Pursuant to the Share Exchange Agreement dated April 26, 2011, the Company closed the acquisition and acquired all of the issued and outstanding shares of Tomichi (Note 17).

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9. 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:

	2011		2010	
	Shares	Amount	Shares	Amount
Balance, beginning of year	12,385,086	\$ 66,228,272	59,137,029	\$65,839,972
Issued for cash				
Share consolidation (i)	-	-	(53,223,607)	-
Private placement (ii)	2,223,333	133,400	6,471,664	388,300
Balance, end of year	14,608,419	\$66,361,672	12,385,086	\$66,228,272

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 March 31, 2010 has been retroactively adjusted and is determined as though the consolidation occurred at March 31, 2009.

ii. Private placement

In November 2010, the Company closed a non-brokered private placement of 1,666,666 units of the Company 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 entitles 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 were subject to a hold period until March 3, 2011. No finder fees were paid.

In December 2009, the Company closed the first tranche of a non-brokered private placement of 5,751,664 units of the Company at a price of \$0.06 per unit 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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9. 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, 2011 and 2010 and changes during the years then ended are as follows:

	2011			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 year	920,000	\$ 0.10	4.98	3,984,375	\$ 0.35	2.73
Granted	292,741	0.17	-	920,000	0.10	-
Cancelled/forfeited	(30,000)	0.10	-	(3,984,375)	0.35	-
Outstanding, end of year	1,182,741	\$ 0.12	4.23	920,000	\$ 0.10	4.98

The following table provides detailed information about stock options outstanding at March 31, 2011:

Options Outstanding	Exercise Price	Expiry Date
890,000	0.10	March 22, 2015
292,741	0.17	March 30, 2016
1,182,741		

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9. SHARE CAPITAL (CONT'D)

Warrants

A summary of the status of the Company's warrants as at March 31, 2011 and 2010 and changes during the years then ended are as follows:

	<u>2011</u>		<u>2010</u>	
	<u># Warrants</u>	<u>Weighted Average Exercise Price</u>	<u># Warrants</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of year	6,471,664	\$ 0.10	862,000	\$ 0.35
Issued (see 9(ii) above)	2,223,333	0.10	6,471,664	0.10
Expired	-	-	(862,000)	0.35
Outstanding, end of year	<u>8,694,997</u>	<u>\$ 0.10</u>	<u>6,471,664</u>	<u>\$ 0.10</u>

On November 2, 2010, the Company issued 2,223,333 warrants (See 9(ii) above) in conjunction with the closing of the non-brokered private placement.

The following table provides detailed information about warrants outstanding at March 31, 2011:

<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	0.71 years
720,000	0.10	January 7, 2012	0.77 years
<u>2,223,333</u>	0.10	November 2, 2012	1.59 years
<u>8,694,997</u>			

BURNSTONE VENTURES INC.
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10. CONTRIBUTED SURPLUS

	2011	2010
Balance, beginning of year	\$ 2,201,602	\$ 2,154,746
Stock-based compensation i)	43,668	46,856
Balance, end of year	<u>\$ 2,245,270</u>	<u>\$ 2,201,602</u>

i) Stock-based compensation

During the current year stock-based compensation has been recorded in the amount of \$43,668 (2010 - \$46,856) 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 \$0.15 (2010 - \$0.05) per option.

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

	2011	2010
Risk free interest rate	2.69%	2.78%
Expected life	5 years	5 years
Expected volatility	135%	118%
Dividend yield	0%	0%

11. 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.
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12. RELATED PARTY TRANSACTIONS AND COMMITMENTS

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

	<u>2011</u>	<u>2010</u>
Accounting and administration	\$ 30,000	\$ 32,500
Consulting	3,500	39,500
Directors' fees	2,250	3,750
Geological services	-	2,000
Management fees	30,000	32,500
Rent of office space	31,396	29,000
	<u>\$ 97,146</u>	<u>\$ 139,250</u>

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

At March 31, 2011, \$1,215 (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.

(ii) Non-brokered private placements:

During the year ended March 31, 2011, 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 Note 9 (ii) for details on the 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 9 (ii) for details on the private placement).

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12. 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 lease agreement with PSCC commencing January 1, 2011, for lease of its principal office space for a fee of \$2,250 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. The lease agreement was amended to reflect an increase in rent to \$3,000 per month commencing March 1, 2011 and to \$3,500 per month commencing July 1, 2011. The rent is, in turn, paid to the head landlord.

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.

13. 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.

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14. 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>2011</u>	<u>2010</u>
Statutory tax rate	28%	30%
Loss before income taxes	<u>\$ (256,109)</u>	<u>\$ (225,094)</u>
Expected income tax recovery	(71,711)	(67,528)
Increase (decrease) in income tax recovery resulting from:		
Items deductible and not deductible for income tax purposes	12,335	14,309
Non-capital losses expired	-	186,495
Change in statutory rates	6,247	863,666
Change in valuation allowance	<u>53,129</u>	<u>(996,942)</u>
Future income tax expense (recovery)	<u>\$ -</u>	<u>\$ -</u>
Details of future income taxes are as follows:		
	<u>2011</u>	<u>2010</u>
Non-capital and net capital losses	\$ 1,937,492	\$ 1,834,872
Resource expenditures	2,225,248	2,224,214
Equipment and other	<u>21,605</u>	<u>72,130</u>
	4,184,345	4,131,216
Less: valuation allowance	<u>(4,184,345)</u>	<u>(4,131,216)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company has approximately \$6,148,000 of non-capital losses available, which begin to expire in 2014 through to 2031 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 \$13,883,000 of exploration and development costs which are available for deduction against future income for tax purposes.

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15. SUPPLEMENTAL CASH FLOW INFORMATION

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

2011

There were no non-cash transactions.

2010

There were no non-cash transactions.

16. SEGMENTED INFORMATION

The Company operates in one segment – the acquisition, exploration and development of mineral properties. As at March 31, 2011, the geographical divisions of the Company's total assets are as follows:

Assets	2011	2010
Canada	\$ 5,082,079	\$ 5,181,345
USA	14,988	-
	<u>\$ 5,097,067</u>	<u>\$ 5,181,345</u>

17. SUBSEQUENT EVENTS

- (i) 450,000 warrants with an exercise price of \$0.10 per share were exercised.
- (ii) 120,000 options with an exercise price of \$0.10 per share and 10,000 options with an exercise price of \$0.17 per share were exercised.
- (iii) The Company issued 3.1 million shares of the Company for the acquisition of Tomichi and issued 500,000 shares of the Company as a finder's fee (Note 8).