



BURNTSAND

**Burntsand Inc.
Annual Information Form
For the Year
Ended December 31, 2005**

March 9th, 2006

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FORWARD LOOKING INFORMATION

Certain information in the Letter to Our Shareholders, this Annual Information Form, Management's Discussion and Analysis, Annual Report and in other public announcements by Burntsand is forward-looking and is subject to important risks and uncertainties. Forward information includes information concerning Burntsand's future financial performance, business strategy, plans, goals and objectives.

Factors which could cause actual results to differ materially from current expectations include, among other things, the ability of Burntsand to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits; competitive conditions in the business in which Burntsand participates; changes in IT spending; general economic conditions and normal business uncertainty; fluctuations in foreign currency exchange rates; and changes in the laws, rules and regulations applicable to Burntsand.

While Burntsand believes that its outlook and assumptions are reasonable, results or events predicted in this forward-looking information may differ materially from actual results or events. For information on these and other factors, see the reports filed by Burntsand with Canadian securities regulators. Burntsand intends the forward-looking information to speak only as of the time first made and does not undertake to update or revise it whether as a result of new information, future events or otherwise.

CORPORATE STRUCTURE

Name and Incorporation

On January 1, 2000, Burntsand Inc. ("Burntsand" or the "Company") was amalgamated under the *Canada Business Corporations Act* ("CBCA") with Next Generation Solutions Inc. ("Next Gen") and Choreo Systems Inc. ("Choreo"). On March 12, 1998, Burntsand was continued under the CBCA. On December 31, 1997 Burntsand was amalgamated under the ABCA with FrontLine Technology Partners Inc. ("FrontLine"). On August 1, 1997 Burntsand was amalgamated under the ABCA with Proxy Systems Ltd. On February 7, 1996 Burntsand was amalgamated under the ABCA with Rubicon Technologies Inc. Burntsand was originally incorporated under the *Business Corporations Act (Alberta)* ("ABCA") on December 22, 1994 as "637359 Alberta Ltd." and changed its name to "Burnt Sand Solutions Inc." on April 19, 1995 and to "Burntsand Inc." on October 4, 1999.

Burntsand has one wholly owned subsidiary, Burntsand Corporation, which operates in the United States. Burntsand Corporation has one inactive, wholly owned subsidiary, Ambient Information Resource Enterprise, Inc. On October 29, 2003, Burntsand Corporation acquired as a wholly owned subsidiary Ambient Information Resource Enterprise, Inc. On December 31, 2002, Burntsand (New England) Inc. merged into Burntsand Corporation. On May 31, 2002, Burntsand US Inc., and Choreo Systems Corp. merged into Burntsand Pacific Inc., and changed its name to Burntsand Corporation.

The head office, of Burntsand is located at Suite 201, 300 The East Mall, Toronto, Ontario, M9B 6B7. The registered office and records office is located at 900 -200 Burrard Street, Vancouver BC, V7X 1T2.

Inter-corporate Relationships

Burntsand has one wholly-owned subsidiary, Burntsand Corporation, which was incorporated under the laws of the State of Delaware on September 26, 2000 and carries on Burntsand's US operations.

GENERAL DEVELOPMENT OF THE BUSINESS

History

Burntsand's core business has expanded and contracted over the past 10 years both through acquisitions and organic growth. In the past 3 years, Burntsand has focused on managing costs in its efforts to become profitable. Following poor financial performance in 2003, Burntsand underwent a restructuring. Management levels were streamlined, service offerings were narrowed and some management changes such as Jim Yeates resuming the role of CEO and

Blair Baxter resuming the role of CFO occurred and the closure of some locations. In October 2003, Burntsand, through its wholly owned subsidiary Burntsand Corporation, completed the acquisition of Ambient Information Resource Enterprise, Inc. (“Ambient”) of Houston, Texas. Ambient was not a material acquisition.

During 2004 and 2005, Burntsand continued its cost containment activities and worked on improving operating performance. In efforts to improve profitability, Burntsand has focused its consulting service offerings into three more profitable areas – enterprise content management; service management; and portals, application development and advanced infrastructure. These services are described in more detail in the Description of Business – Solutions.

There have been no acquisitions since the acquisition of Ambient; however Burntsand has investigated a number of opportunities, none of which are ongoing. It is Burntsand’s intention, in appropriate circumstances, to continue to pursue limited, highly focused strategic acquisitions to expand its range of services and/or geographical reach to compliment organic growth.

Burntsand’s historical acquisition strategy has been to acquire small to medium sized professional service companies that provide complementary services or skills, expanded opportunities for strategic relationships or specific expertise in a practice area or domain. While each acquisition transaction will be unique in its pricing and structure, Burntsand has a preference to structure transactions which involve the following:

- (a) acquiring 100% of the target company for a combination of cash, shares of Burntsand and/or rights to acquire shares of Burntsand;
- (b) having a portion of the purchase price subject to earn-out provisions;
- (c) retaining the target’s management (where appropriate) to continue to operate its business;
- (d) establishing a continuing partnership between Burntsand and management of the acquired business through share ownership and contractual commitments including non-competition covenants; and
- (e) integrating selected aspects of the acquired business, where appropriate, with that of Burntsand’s.

Burntsand does not, in general, pursue acquisitions where the primary objective of the vendors is to leave the business in the near term. Burntsand typically requires the vendors to receive part of their consideration in shares and/or rights to acquire shares of Burntsand. The principal objective is to provide owner/managers with equity ownership in order to better align their goals with those of Burntsand and other shareholders.

Details of Recent Acquisitions And Dispositions

There have been no acquisitions or dispositions in the past two years.

DESCRIPTION OF THE BUSINESS

Overview

Burntsand is a business consulting and technology services company that designs, architects, and implements information technology to deliver business advantage for its mid-market clients (clients with revenues between \$100 million and \$500 million), including divisions of the top 2000 companies as ranked by revenue (“Global 2000 companies”) in Canada and the United States. Burntsand is primarily focused on “business to business” relationships and has developed expertise in certain industries.

Burntsand’s primary revenue generation vehicle is person based professional services. There is no distinct cyclical trend to the business, but on a seasonal basis the summer and December holidays can pose availability issues for both Burntsand and client staff due to vacation patterns. Burntsand has been proactively managing its headcount and costs during the past several years to better match its resources with market demand. As a result of this, significant restructurings have been incurred in prior years; however Burntsand has focused on keeping its core skills intact. Burntsand does not expect any additional restructuring.

Customers

Burntsand provides solutions to mid-market organizations, including divisions of Global 2000 companies. During 2005, Burntsand completed projects for approximately 120 customers (2004 - 121). Of these, approximately 62% (2003 - 71%) were new or additional projects for existing clients of Burntsand and the remainder were for new

customers of Burntsand. Burntsand has clients in a number of industries including communications, high technology, life sciences, manufacturing, healthcare and financial services.

Burntsand believes the following characteristics combine through a business relationship to deliver real value to a client:

- A general understanding of the client's industry and specific knowledge of the potential impact of business solutions, technologies, and processes within that industry.
- Specific industry focused offerings with business cost reduction and/or productivity improvement measures based on installed client history.
- Burntsand's strong relationships with leading industry software suppliers (see Technology Relationships) enable a high level of knowledge transfer from the supplier to the client through a Burntsand relationship.
- A lower cost delivery model, due to lower overheads, than typically offered by larger Information Technology (IT) integrators, combined with deep knowledge of current technologies and select industry solutions.

Solutions

Burntsand produces solutions that connect an enterprise and its information or *content* to people and organizations that have individual (typically employees) or business (typically partners, suppliers, customers and executives) requirements to access that organization's content. These solutions fall into three distinct groups – content management; portals, application development and advanced infrastructure; and service management – and present organizations with a distinct value proposition.

Enterprise Content Management Solutions

Content traditionally takes the form of structured data (records and files), unstructured data (documents and drawings), and non-traditional audio and video formats. Content management solutions begin with a thorough understanding of the dimensions of an organization's content assets and the related technology and business interactions with the content. Specific offerings include automated publishing of content in a user and/or device specific format regardless of the author's style and/or technology, and personalization services that create a familiar look, feel or usage pattern to personalize the use of common content for each individual user.

Portals / Application Development / Advanced Infrastructure

Portals and Application Development is the combination of technologies that store, process, connect, communicate and protect enterprise content. This is rarely a homogenous environment, rather a complex integration of application platforms, and discrete hardware and software from a variety of vendors. Burntsand's services and solutions range from the advanced infrastructure such as security and identity aspects of protecting an organization to the creative disciplines that form highly usable and personalized portal based interfaces to an organization

Service Management Solutions

Service Management is the control and quality assurance layer in providing an enterprise's content to its communities of interest. The business process flow includes the following steps: *Action Request – Response – Escalation - Fulfilment – Audit*. Service Management is a relatively universal business process that takes on specific names like Compliance Management, Case Management, Customer Relationship Management, Facilities Management, Logistics Management, Regulated Management and Technology Infrastructure Management, as it is applied to business issues and processes.

Focused Vertical Industry Offerings

Burntsand has acquired significant experience in specific industries by applying technology solutions to common challenges within these particular industries. The following illustrate the combination of general solutions in different industries that Burntsand can integrate to produce a solution to a specific industry problem:

- *Financial Services*: Relationship Management software provides the organizational structure and information repository, combined with business intelligence/analytics capabilities and content

management for document security and control & global wireless communications to create a specialized tool for IPO and merger & acquisition teams.

- *Government and related organizations:* Portal software for security and access control combine with content and document management/collaboration to provide a highly efficient electronic work environment to support regulatory agencies.
- *Pharmaceutical:* Advanced content management, publishing and personalization techniques combine to create a publishing hub that collects research and clinical trial data and publishes it to satisfy the federal regulatory requirements for new drug approval.
- *Regulated Management Solutions:* The Burtsand Regulated Management Solutions (ReMS) framework has been created to be the first solution designed specifically for regulated organizations. Out-of-the-box it can be configured to enable significant features and functionality built through experience and careful analysis of the unique needs of these regulatory administration organizations. A subset of ReMS is tailored to Regulated Membership Management and is designed to introduce efficiencies into the membership and financial business aspects of an organization and enables tailored processes for regulatory issues like qualification, admission, complaints and discipline.

Technology Relationships

Burtsand has established relationships with leading application platform providers. Burtsand has built relationships with leading application and infrastructure suppliers in each of its solution focus areas. Key relationships exist with EMC²/Documentum, Microsoft Inc, BMC/Remedy, and as well as relationships with FrontRange Solutions Inc., Pivotal Inc., and Sun Microsystems, Inc. The nature and benefits associated with these relationships vary considerably and may vary over time; however, they involve joint marketing and selling efforts on behalf of Burtsand and such suppliers and may also involve preferential pricing, additional disclosure of technical and/or marketing information and preferential recommendations by the supplier on projects. Burtsand is a Microsoft Gold Certified Partner in multiple areas of competencies and a member of the Select Service Team (SST) program with EMC²/Documentum.

Business Philosophy

Burtsand applies its core values and a comprehensive understanding of strategic technologies to deliver high impact business solutions. Burtsand's interactive approach to problem solving and software, application, and solution integration enables it to effectively design, develop and implement business technology solutions that deliver a competitive advantage and tangible return on investment. The key elements of Burtsand's business philosophy include:

- *Responsibility/Accountability* - We own it. We get it done. We get results. We measure our success by our clients' successes.
- *Trust* - Communication, openness, honesty and integrity guide our every action.
- *Respect/Recognition* - Of individual and team contributions to the success of clients, teams and the company.
- *Leadership* - Continuous learning and creativity provide a dynamic, goal-oriented work environment.
- *Teamwork* - Our best work is team work that leverages our versatile staff and diverse capabilities.

Strong Partnering Relationships with Clients

Burtsand's interactive approach to problem solving and software application deployment fosters strong relationships with its clients. The approach involves consensus building among client executives, business end-users and IT professionals, enabling Burtsand to effectively evaluate, design, develop and implement business technology solutions. Burtsand also provides end user training for managing the organizational changes that accompany the rollout of new applications and the assimilation of such applications into production environments.

Focus on Return on Investment

Burntsand focuses on delivering solutions that are designed to deliver a high return on investment to its clients. Burntsand helps clients identify strategic uses of technology, align technology initiatives with business objectives and develop and deploy technology enabled business solutions in rapid time frames. The approach is driven by a business case and the implementation strategy is guided by Burntsand's experience. This approach significantly reduces project risk and ensures that IT and business strategies are aligned.

Fixed Prices and Fixed Timetables

Burntsand will often deliver projects under a fixed time/fixed price model. At the commencement of a project engagement, Burntsand and its clients agree on the nature of project deliverables and a fixed price and fixed timetable for the project. The project deliverables are segmented into small sub-projects to create a controllable scope and work scale. Burntsand's *UpFront!* methodology is designed to manage multiple concurrent sub-projects in order to achieve the desired implementation speed of the project without sacrificing quality control. The end goal is to reduce the risk for clients by ensuring that projects are delivered on time and on budget and prevent project costs and time frames from escalating and negatively impacting expected returns.

***UpFront!* Delivery Process**

UpFront! is a methodology that combines the strategy, technical and creative aspects of solution development. It aids clients in moving from the identification of a business process that needs to transition to a technology based solution, to a full implementation of that solution in very limited time frames. *UpFront!* integrates Burntsand's approach to business process analysis and optimization with rapid deployment of business technology solutions that address the four key solution elements of process, organization, people, and technology.

Business Strategy

Burntsand intends to continue to capitalize on opportunities through a predominantly North American focused strategy which leverages its broad client base, its experience in system integration in web-enabled solution areas and its alliances with key technology suppliers. Burntsand is focused on mid-market clients and divisions of Global 2000 companies that need strategic applications development to help deliver new and innovative business technology solutions for their business problems. These solutions are targeted at integrating company wide processes, supporting client relationships with their customers, electronically linking clients to their customers, partners and suppliers and managing company knowledge.

Marketing and Sales

Burntsand markets its services through its own direct sales organization to a diverse set of industries including manufacturing, business services, high technology, life sciences, health care and communications. Burntsand is able to market to diverse industries because its solutions are horizontal in nature. To support its sales efforts, Burntsand conducts an active set of marketing programs including, advertising, seminars, trade shows and ongoing client communications.

Burntsand's direct sales force employs a consultative sales process, working closely with clients and Burntsand's consultants to understand and define client needs and to determine how they are best addressed. As the execution of the projects is typically mission critical and strategic to the client's business, Burntsand's sales and marketing efforts are generally directed to the senior management of a prospective client.

Burntsand also works closely with technology providers to identify specific client opportunities and requirements. It is intended that these relationships will result in Burntsand's introduction to new accounts, increased ability to service new accounts and reduced sales cycle length and cost. Joint marketing activities allows Burntsand to increase market coverage and acceptance of Burntsand's services. These activities include jointly conducted seminars, trade shows and conferences.

Employees

During 2005, Burntsand had an average of approximately 116 full time employees and engaged on average 10 full-time equivalent contractors. Approximately 78% of the total staff is dedicated to professional services delivery.

Facilities

Burntsand currently has offices in Vancouver (BC), Toronto (ON), Calgary (AB), Boston (MA), Houston (TX) Indianapolis (IN) and San Jose (CA). All of Burntsand's existing facilities are leasehold arrangements. Burntsand's total annual lease payments for 2005 (net of sublease receipts but including amounts provided for as part of restructuring reserves) for its office space is approximately \$0.8 million. Burntsand has previously accrued restructuring charges related to excess facilities. Currently, all excess space has been sublet to a subtenant on a sublease which co-terminates with Burntsand's lease.

Competition

The market for Burntsand's business solutions and integration services is highly competitive, fragmented and subject to rapid technological change and frequent new product introductions and enhancements. Burntsand has a large number of competitors that divide into two broad categories: specialized 'boutiques' and major IT consulting and integration firms. Internal IT departments can also be considered competition within the insource/outsource decision process. Many of these major IT competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, greater name recognition and a larger existing client base than Burntsand. As a result, these competitors may be able to respond more quickly to new or emerging technologies and to changes in client requirements or to devote greater resources to the development, promotion and sale of their services than Burntsand. The smaller 'boutique' firms may lack capability breadth and geographic reach but may have a cost advantage due to size and low operational overhead while possessing deep skills in a very narrow application/solutions area.

Burntsand is positioned as a mid-sized solutions integrator. It is Burntsand's belief that it has the capability of the major firms in Burntsand's selected areas of practice with a more flexible operating style and a solutions cost/value advantage over the major firms. Burntsand, as a stable, multi-location, public company with a significant breadth of skills and knowledge has a size/confidence advantage over the 'boutiques'.

Burntsand may compete with systems integrators in all its domain areas, including Deloitte & Touche LLP, Accenture and IBM Global Services. Because the barriers to entry in the systems integration market are relatively low, additional competitors may emerge as the market for these services continues to develop and expand. It is also possible that acquisitions of competitors by large software companies or alliances among competitors could occur. Burntsand expects that significant consolidation in its industry will occur over the next few years and increased competition from new entrants or through strategic acquisitions or alliances could result in price erosion, reduced gross margins or loss of market share, any of which could have a material adverse effect on Burntsand's business, operating results or financial condition. See "Risk Factors".

Intellectual Property and Other Proprietary Rights

Burntsand relies primarily on a combination of copyright laws, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights. Burntsand seeks to protect its business modules, documentation and other written materials under trade secret laws, which afford only limited protection. Despite precautions taken by Burntsand, it may be possible for unauthorized third parties to copy aspects of its IT business solutions including proprietary business modules or future business modules or to obtain and use information that Burntsand regards as proprietary. There can be no assurance that Burntsand's means of protecting its proprietary rights will be adequate or that Burntsand's competitors will not independently develop similar or superior solutions.

Burntsand also relies on certain technologies from its supplier and technology relationships as the foundation for developing business applications and modules. None of these licenses are unique and are readily available in the market, and are typically owned by the clients.

SELECTED FINANCIAL INFORMATION⁽¹⁾

	Year Ended December 31		
	(audited)		
	<u>2003⁽³⁾</u>	<u>2004</u>	<u>2005</u>
Income Statement Data:			
Revenue			
Services	\$29,360,157	\$23,542,439	\$17,737,484
License, maintenance and infrastructure	7,522,272	5,209,228	2,565,244
Other.....	539,232	572,830	477,717
	<u>37,421,661</u>	<u>29,324,497</u>	<u>20,780,445</u>
Costs			
Cost of services	22,233,584	16,814,320	12,175,928
Cost of license, maintenance and infrastructure ..	6,006,261	4,151,928	2,062,785
Cost of other revenue	477,194	458,265	446,162
	<u>28,717,039</u>	<u>21,424,513</u>	<u>14,684,875</u>
Gross Profit	<u>8,704,622</u>	<u>7,899,984</u>	<u>6,095,570</u>
Expenses			
Sales and marketing.....	4,384,534	2,792,750	1,614,063
General and administrative.....	5,355,326	3,331,142	2,784,689
Other expenses	5,660,254	3,802,940	3,040,793
	<u>15,400,114</u>	<u>9,926,832</u>	<u>7,439,545</u>
Loss before interest, amortization, provision for impairment and income taxes⁽²⁾	\$ (6,695,492)	\$ (2,026,848)	\$ (1,343,975)
Net income (loss)	\$ (8,335,176)	\$ (1,860,680)	\$ (1,931,541)
Loss per share basic and fully diluted ⁽⁴⁾	\$ (0.11)	\$ (0.03)	\$ (0.03)
Balance Sheet Data:			
Current assets.....	\$ 18,559,488	\$ 10,736,112	\$ 8,308,248
Total assets	\$ 21,492,646	\$ 12,778,305	\$ 9,834,458
Current liabilities	\$ 8,856,945	\$ 3,482,802	\$ 2,721,026
Long-term liabilities	\$ 1,414,109	\$ 329,153	\$ 9,938
Shareholders' equity	\$ 11,221,592	\$ 8,966,350	\$ 7,103,494

- (1) For a description of significant acquisitions, asset impairments, restructurings and adoption of new accounting policies on goodwill, see Management's Discussion and Analysis.
- (2) Loss before restructuring charge, amortization, interest, and income taxes. EBITDA is a non-GAAP measure, has no standardized meaning under GAAP and is therefore unlikely to be comparable to similar measures for other issuers. Burnsand provides EBITDA to separate the effect of restructuring charges, goodwill impairment, amortization, interest and taxes from its results.
- (3) The 2003 financial results have been restated to reflect the retroactive adoption on January 1, 2004 of the new recommendations of the Canadian Institute of Chartered Accountants related to stock-based compensation. See Note 2 to the 2004 Consolidated Financial Statements.
- (4) Rounded to the nearest cent.

DIVIDEND POLICY

At the present time, Burntsand intends to retain earnings for corporate purposes. Burntsand has not paid any dividends during its last five completed financial years preceding the date hereof. The payment of dividends in the future will depend upon the earnings and financial condition of Burntsand and on such other factors as the Board of Directors may consider appropriate. However, it is unlikely that earnings will be available for the payment of dividends in the near future.

LEGAL PROCEEDINGS

There currently are no outstanding legal proceedings to which Burntsand or its subsidiaries is a party or is the subject matter, nor is Burntsand aware of any such material threatened or contemplated proceedings.

MATERIAL CONTRACTS

Burntsand has not entered into any material contracts, other than contracts entered into in the ordinary course of business, within the fiscal year ended December 31, 2005.

RISK FACTORS

Due to Burntsand's stage of development, investment in securities of Burntsand may be regarded as speculative. If any of the following risks or those described in Burntsand's Management Discussion and Analysis for the year ended December 31, 2005 actually occur, Burntsand's business, financial condition, or operating results could be materially adversely affected. In addition, the following factors should be considered by potential investors:

Lengthy Sales and Implementation Cycles

Burntsand's business includes large, complex integration projects. These services generally involve a significant commitment of resources by its prospective customers and will often require Burntsand to provide a significant level of education to prospective customers regarding the use and benefits of the electronic business solutions provided by Burntsand. As a result, Burntsand can invest significant resources without ultimately obtaining a contract. The period between initial contact and project completion will often be lengthy (typically ranging from between three and nine months) and is sometimes subject to a number of significant delays over which Burntsand has little or no control. These lengthy implementation cycles can be caused by poor responsiveness from Burntsand's customers and can result in deferral of revenues.

Market for Business Services - Market Acceptance

The market for Burntsand's business services is characterized by ongoing technological developments, new products being introduced to the market, evolving industry standards and changing customer requirements. Burntsand's future financial performance will depend in large part on continued growth in the number of organizations requiring these services.

Burntsand's future success is also somewhat dependent upon continued growth in the use of the Internet as Burntsand's business solutions are becoming increasingly focused on Internet-based technology. To the extent that businesses do not consider the Internet a viable commercial medium, Burntsand's client base may not grow. The adoption of the Internet for commerce and communications, particularly by those individuals and companies that have historically relied upon alternative means of commerce and communication, generally requires the understanding and acceptance of a new way of conducting business and exchanging information. In particular, companies that have already invested substantial resources in other means of conducting commerce and exchanging information may be particularly reluctant or slow to adopt a new, Internet-based strategy that may make their existing personnel and infrastructure obsolete. In addition, Burntsand's business may be indirectly impacted if the number of users on the Internet does not increase or if commerce over the Internet does not become more accepted and widespread.

Rapid Technological Change - New Products

The integration services markets in which Burntsand competes are characterized by rapid technological change, frequent introductions of new products, changes in customer demands and evolving industry standards, any of which can render existing products and services obsolete and unmarketable. Burntsand's future success will depend on its ability to address the increasingly sophisticated needs of its customers by supporting existing and emerging

hardware, software, database and networking platforms and keeping pace with technological developments, evolving industry standards and changing customer requirements.

Management of Growth - Dependence on Key Personnel

Burntsand's growth has placed significant demands on its management and other resources. Burntsand's future results of operations will depend in part on the ability of its officers and other key employees to implement and expand operational, customer support and financial control systems and to expand, train and manage its employee base. Burntsand's future performance will also depend to a significant extent on its ability to identify, attract, train and retain highly skilled sales, consulting, technical, marketing and management personnel. Competition for such personnel can be intense, and Burntsand expects that such competition will continue for the foreseeable future.

Integration of Newly Acquired Businesses

Burntsand intends to expand its operations through acquisitions of additional businesses. There can be no assurance that Burntsand will be able to identify, acquire or profitably manage additional businesses or successfully integrate the acquired business into Burntsand without substantial expense, delay or other operational or financial problems. Further, acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, unanticipated events or circumstances, legal liabilities and amortization of acquired intangible assets, some or all of which could have a material adverse effect on Burntsand's business, financial condition and results of operation. Client satisfaction or performance problems with a single acquired business could have a material adverse impact on the reputation of Burntsand as a whole. In addition, there can be no assurance that acquired businesses, if any, will achieve anticipated revenues and earnings. The failure of Burntsand to manage its acquisition strategy successfully could have a material adverse effect on Burntsand's business, financial condition and results of operations.

Competition

The market for Burntsand's business services is highly competitive, fragmented, and subject to rapid technological change and frequent new product introductions and enhancements. Burntsand has a large number of competitors, which include web integrators, internally developed custom applications, systems integrators and packaged application vendors. Many of these competitors have longer operating histories, significantly greater financial, technical, product development, marketing and other resources, greater name recognition or a larger existing customer base than Burntsand. These competitors may be able to respond more quickly to new or emerging technologies and to changes in customer requirements or to devote greater resources to the development, promotion and sale of their products and services than Burntsand.

International Operations

Burntsand has offices in Houston, Texas, Campbell (San Jose), California, Indianapolis, Indiana and Boston, Massachusetts. This requires significant management attention and financial resources, which could adversely affect Burntsand's operating margins and earnings, if any.

Reliance on Customers' Capital Spending

The decisions by customers to purchase Burntsand's business solutions are often a discretionary one and will be treated by the acquirer as a capital spending project. As a result, to the extent that general economic and business conditions affect the capital expenditure decisions of businesses, an economic slowdown could result in a decrease in sales of Burntsand's solutions and have a material adverse effect on Burntsand's business, financial condition and results of operations.

Reliance on Third-Party Vendors

Burntsand relies on certain third party technologies that it utilizes to produce business applications. Accordingly, Burntsand is subject to such third parties' abilities to maintain or enhance their current products, to develop new products on a timely and cost-effective basis and to respond to emerging industry standards and other technological changes. There can be no assurance that these third party technology licenses will continue to be available to Burntsand on commercially reasonable terms. The loss or the inability of Burntsand to maintain any of these technology licenses could result in delays in delivering Burntsand's business solutions until equivalent technology can be identified, licensed, and integrated. Any such delays could materially and adversely affect Burntsand's business, operating results and financial condition.

Limited Intellectual Property Protection

Burntsand relies primarily on a combination of copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights. Burntsand seeks to protect its business modules, documentation and other written materials under trade secret and copyright laws, which afford only limited protection. Despite precautions taken by Burntsand, it may be possible for unauthorized third parties to copy aspects of Burntsand's modules or future modules or to obtain and use information that Burntsand regards as proprietary. There can be no assurance that Burntsand's means of protecting its proprietary rights will be adequate or that Burntsand's competitors will not independently develop similar or superior technology. Litigation may be necessary in the future to enforce Burntsand's intellectual property rights, to protect Burntsand's trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of resources.

Failure to Meet Performance Criteria

Burntsand's integration services typically involve applications that are critical to a customer's business. As a result, Burntsand's customers and potential customers typically have demanding requirements for installation and deployment. As these applications are complex and often involve the integration of technologies provided by a number of different vendors, the ultimate solution may not meet a customer's requirements, resulting in delays and lost revenues.

Share Price Volatility

Burntsand's share price has been highly volatile in the past and is likely to continue to be volatile. Factors such as the announcement of technological innovations, the development of new products, the release of financial results, future sales of shares and many other elements could materially affect the price of Burntsand's shares.

Foreign Exchange Exposure

Burntsand's Canadian operations undertake transactions denominated in US dollars and as such are exposed to price risk due to the fluctuations in foreign exchange rates. Burntsand's US operation uses the US dollar as its functional currency for both revenue and expenses. Burntsand's US operations are considered to be self-sustaining. As a result the translation adjustment is included in Shareholder's Equity, under the caption "Cumulative Translation Adjustment". Burntsand does not use derivative instruments to reduce exposure to foreign exchange risk on operations or the cumulative translation adjustment.

Financial Performance

Burntsand has experienced multiple quarters of net losses. During 2004 and 2005 Burntsand's cost structure was adjusted to better align with anticipated client/market demand. While Burntsand is progressing toward break-even financial performance and anticipates operating profitability and positive operating cash flows before the end of the current fiscal year, long-term viability is dependant on sustained profitable operations based on current cash reserves.

CAPITAL STRUCTURE

Burntsand is authorized to issue an unlimited number of Common Shares without nominal or par value. The Common Shares and the Preferred Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

Common Shares

The holders of the Common Shares shall be entitled to receive notice of and to attend all meetings of the shareholders of Burntsand and shall have one (1) vote for each Common Share held at all meetings of the shareholders of Burntsand, except meetings at which only holders of another specified class or series of shares of Burntsand are entitled to vote separately as a class or series.

Subject to the prior rights of the holders of the Preferred Shares and any other shares ranking senior to the Common Shares with respect to priority in the payment of dividends, the holders of Common Shares shall be entitled to receive dividends and Burntsand shall pay dividends thereon, as and when declared by the board of directors of

Burntsand out of monies properly applicable to the payment of dividends, in such amount and in such form as the board of directors of Burntsand may from time to time determine and all dividends which the board of directors of Burntsand may declare on the Common Shares shall be declared and paid in equal amounts per share on all Common Shares at the time outstanding.

In the event of the dissolution, liquidation or winding-up of Burntsand, whether voluntary or involuntary, or any other distribution of assets of Burntsand among its shareholders for the purpose of winding-up its affairs, subject to the prior rights of the holders of the Preferred Shares and any other shares rankings senior to the Common Shares with respect to priority in the distribution of assets upon dissolution, liquidation, winding-up or distribution for the purpose of winding-up, the holders of the Common Shares shall be entitled to receive the remaining property and assets of Burntsand.

Preferred Shares

The Preferred Shares may be issued at any time and from time to time in one or more series. Before the first shares of a particular series are issued, the board of directors of Burntsand shall fix the number of shares in such series and shall determine, subject to the limitations set out in the Articles, the designation, rights, privileges, restrictions and conditions to be attached to the shares of such series including, without limitation, the rate or rates, amount or method or methods of calculation of dividends thereon, the time and place of payment of dividends, whether cumulative or non-cumulative or partially cumulative and whether such rate, amount or method of calculation shall be subject to change or adjustment in the future, the currency or currencies of payment of dividends, the consideration and the terms and conditions of any purchase for cancellation, retraction or redemption rights (if any), the conversion or exchange rights attached thereto (if any), the voting rights attached thereto (if any), and the terms and conditions of any share purchase plan or sinking fund with respect thereto. Before the issue of the first shares of a series, the board of directors of Burntsand shall file Articles of Amendment, as required under the *Canada Business Corporations Act*, containing a description of such series including the designation, rights, privileges, restrictions and conditions determined by the board of directors of Burntsand.

No rights, privileges, restrictions or conditions attached to a series of Preferred Shares shall confer upon a series a priority in respect of dividends or return of capital over any other series of Preferred Shares then outstanding. The Preferred Shares shall be entitled to priority over the Common Shares of Burntsand and over any other shares of Burntsand ranking junior to the Preferred Shares with respect to priority in the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Burntsand, whether voluntary or involuntary, or any other distribution of the assets of Burntsand among its shareholders for the purpose of winding-up its affairs. If any cumulative dividends or amounts payable on a return of capital in respect of a series of Preferred Shares are not paid in full, the Preferred Shares of all series shall participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all there being insufficient assets to satisfy in full all such claims to dividends and return of capital, the claims of the holders of the Preferred Shares with respect to repayment of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment and satisfaction of claims in respect of dividends. The Preferred Shares of any series may also be given such other preferences, over the Common Shares and over any other shares ranking junior to the Preferred Shares as may be determined in the case of such series of Preferred Shares.

Except as otherwise required by law or in accordance with any voting rights which may from time to time be attached to any series of Preferred Shares, the holders of the Preferred Shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of Burntsand.

The rights, privileges, restrictions and conditions attaching to the Preferred Shares as a class may be added to, changed or removed but only with the approval of the holders of the Preferred Shares given as hereinafter specified. The approval of the holders of the Preferred Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Preferred Shares as a class or to any other matter requiring the consent of the holders of the Preferred Shares as a class may be given in such manner as may then be required by law, subject to a minimum requirement that such approval shall be given by resolution passed by the affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of Preferred Shares duly called for that purpose.

The formalities to be observed in respect of the giving of notice of any such meeting or any adjourned meeting and the conduct thereof shall be those from time to time required by the *Canada Business Corporations Act* (as from time to time amended, varied or replaced) and prescribed in the by-laws of Burntsand with respect to meetings of shareholders. On every poll taken at a meeting of holders of Preferred Shares as a class, each holder entitled to vote thereat shall have one vote in respect of each Preferred Shares held by him.

MARKET FOR SECURITIES

Burntsand common shares are listed and posted for trading on the Toronto Stock Exchange under the symbol "BRT". The following table sets forth, for the periods indicated, the high, low and close sale prices per common share and the volume of common shares traded during the month as reported on Toronto Stock Exchange:

<u>Date</u>	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>Volume</u>
Dec-05	\$ 0.095	\$ 0.070	\$ 0.085	3,921,133
Nov-05	\$ 0.110	\$ 0.065	\$ 0.075	3,554,446
Oct-05	\$ 0.100	\$ 0.060	\$ 0.070	1,948,464
Sep-05	\$ 0.115	\$ 0.080	\$ 0.095	1,639,648
Aug-05	\$ 0.125	\$ 0.100	\$ 0.110	1,774,528
Jul-05	\$ 0.155	\$ 0.120	\$ 0.125	1,005,623
Jun-05	\$ 0.155	\$ 0.120	\$ 0.150	2,073,100
May-05	\$ 0.150	\$ 0.105	\$ 0.115	1,462,848
Apr-05	\$ 0.180	\$ 0.125	\$ 0.145	1,015,438
Mar-05	\$ 0.185	\$ 0.155	\$ 0.160	986,826
Feb-05	\$ 0.195	\$ 0.135	\$ 0.170	2,679,657
Jan-05	\$ 0.185	\$ 0.145	\$ 0.145	1,466,843

ESCROWED SECURITIES

To Burntsand's knowledge, there are no shares of Burntsand currently held in escrow:

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common shares of Burntsand is Computershare Trust Company of Canada, Vancouver, B.C.

DIRECTORS AND OFFICERS

Burntsand has not established an executive committee of its board of directors. Each director's term expires at the annual general meeting of Burntsand held each year and all directors are subject to re-election at that time. The directors and executive officers of Burntsand as a group own, directly or indirectly, or exercise control or direction over, 15,041,932 Common Shares, being approximately 21% of the issued and outstanding Common Shares.

Directors

The following table shows the full name, municipality of residence, equity ownership, position with Burntsand and principal occupations of each of the directors of Burntsand during the past five years:

Michael Cardiff ⁽¹⁾ Chief Executive Officer of Accelerants Inc. <i>Ontario, Canada</i> Director since February 5, 2002 Common Shares: Nil Options: 530,000	Mr. Cardiff is the CEO of Accelerants Inc., a strategy consulting firm. Mr. Cardiff is the former CEO of INEA Inc., a performance management software company to the financial services sector and former President and Chief Executive Officer of Fincentric Inc. Prior to joining Fincentric, Mr. Cardiff was Executive Vice President, Financial Services, with EDS Canada, where he held responsibility for all of EDS' business with financial institutions in Canada.
Terry M. Holland ⁽¹⁾⁽²⁾ President and Chief Executive Officer of Krystal Financial Corp.	Mr. Holland is a Chartered Accountant and President and CEO of Krystal Financial Corp., a Vancouver based private equity firm. Over the last 20 years Mr. Holland has had extensive experience in the

<p><i>British Columbia, Canada</i></p> <p>Director since November 12, 1997</p> <p>Common Shares: 374,902 Options: 525,000</p>	<p>acquisition and financing of businesses in a wide variety of sectors. During this time he has worked closely with senior management of these businesses, providing both financial and strategic support. He also serves as a director of a number of companies including Integrated Paving Concepts Inc., Bridges.com Inc. and Ondine Biopharma Corp. and Hardwoods Distribution Income Fund.</p>
<p>John B. Kelly⁽²⁾ Chairman of NexInnovations Inc. <i>Ontario, Canada</i></p> <p>Director since November 12, 1997</p> <p>Common Shares: 201,500 Options: 525,000</p>	<p>Mr. Kelly is Chairman of NexInnovations Inc. and a principal at Reid Eddison Inc., a Canadian technology mentoring company. Before joining Reid Eddison Inc., Mr. Kelly was the President and Chief Executive Officer of Jetform Corporation. He has held a number of senior executive positions within the Canadian high-technology industry and is currently Co-Chair of CATA Alliance (Canadian Advanced Technology Alliance). Mr. Kelly holds an honors law degree from the University of Ottawa and an honors Bachelor of Business Administration (Finance) from Iona College in New Rochelle, New York. He also holds an honorary doctorate from the University of Ottawa.</p>
<p>James R. Yeates Chairman of the Board and Chief Executive Officer <i>British Columbia, Canada</i></p> <p>Director since inception</p> <p>Common Shares: 14,382,307⁽³⁾ Options: 100,000</p>	<p>Chairman of the Board of Directors and CEO. Over the past 20 years Mr. Yeates has been Chairman and/or CEO of such companies as Computer Innovations Inc. and INSINC Inc. before he founded Burntsand Inc. in 1996. Mr. Yeates was the CEO of Burntsand Inc. from its inception on January 1, 1996 to February, 2001 and from November, 2003 to the present time. Mr. Yeates has served as a Director and Chairman of Burntsand since its inception. Mr. Yeates has also held the position of Chairman and/or Director of a number of public and/or private non-technology and technology companies. Presently, Mr. Yeates is a Director of British Columbia Rail Corp. Mr. Yeates holds a Master of Computer Sciences degree from McGill University since 1973 and a Bachelor of Sciences degree in Mechanical Engineering from the University of Vermont in 1970.</p>

⁽¹⁾ Members of the Audit and Corporate Governance Committee of Burntsand.

⁽²⁾ Members of the Compensation Committee of Burntsand

⁽³⁾ Of these, 13,167,538 are owned by Interactive Selling, Inc., a company of which 55% of the shares are beneficially owned by James R. Yeates and the other 45% are owned by Trimin Capital Corp and 227,784 are owned by members of his immediate family.

Board Charter

Burntsand adopted a formal charter for the Board of Directors. In recognizing the primary responsibility of the Board of Directors to provide governance and stewardship to Burntsand, the charter sets out the Board of Directors' responsibilities in the following key areas:

- the appointment and supervision of the management (including roles and responsibilities of the Chair of the Board of Directors and the Chief Executive Officer);
- strategic planning and risk management;
- financial reporting and management;
- shareholder communication;
- corporate governance; and
- adoption and monitoring compliance with codes of conduct.

A copy of the Board Charter is available on in the Governance area of our website at www.burntsand.com.

Committees of the Board of Directors

The Board of Directors of Burntsand currently has an audit and corporate governance committee and a compensation committee. A summary of each committee's responsibilities is set out below.

Audit and Corporate Governance Committee

The audit and corporate governance committee assists the Board of Directors in fulfilling its responsibilities for oversight and supervision of financial and accounting matters. The committee supervises the adequacy of Burntsand's internal accounting controls and financial reporting practices and procedures and the quality and integrity of Burntsand's audited and un-audited financial statements, including through discussions with Burntsand's external auditors. The committee reviews Burntsand's business plan and operating and capital budgets and management's reports on pension plan oversight. The committee is responsible for ensuring efficient and effective assessment of management of risk throughout Burntsand.

The audit and corporate governance committee is responsible for developing Burntsand's approach to corporate governance issues and advising the Board of Directors in filling vacancies on the Board. In addition, it periodically reviews the size, composition and compensation of the Board of Directors, the effectiveness of the Board and its individual members, and appropriate committee structures, mandates, composition, membership and effectiveness. This committee reviews the Chief Executive Officer's goals and objectives at the start of each year and provides an appraisal of the Chief Executive Officer's performance for the most recently completed year. This committee is also responsible for succession planning for the Chief Executive Officer.

Charter

The full text of the audit and corporate governance committee's charter is included as Appendix A to this Annual Information Form and is available in the Governance area of our website at www.burntsand.com.

Composition of the Committee and Relevant Education and Experience of its Members

The following are the members of the committee, each of whom is a director of Burntsand is financially literate, and is independent under Sections 1.4 and 1.5 of Multilateral Instrument 52-110 - Audit Committees. The members of the audit committee bring significant skill and experience to their responsibilities including professional experience in accounting, business and finance. The specific education and experience of each such member that is relevant to the performance of his responsibilities as a member of the committee is set out below:

Terry M. Holland	Mr. Holland is a Chartered Accountant. Over the last 20 years Mr. Holland has had extensive experience in the acquisition and financing of businesses in a wide variety of sectors including resource, real estate, manufacturing, and technology. During this time he has worked closely with senior management of these businesses, providing both financial and strategic support.
John B. Kelly⁽²⁾	Mr. Kelly is Chairman of NexInnovations Inc. and a principal at Reid Eddison Inc., a Canadian technology mentoring company. Before joining Reid Eddison Inc., Mr. Kelly was the President and Chief Executive Officer of Jet form Corporation.
Michael Cardiff	Mr. Cardiff is the CEO of Accelerants Inc. Mr. Cardiff is the former CEO of INEA Inc and former President and Chief Executive Officer of Fincentric and has a proven track record of achievement in the global high tech industry

Pre-Approval Policies and Procedures

As set out in the committee's charter, the committee is responsible for pre-approving any non-audit services to be provided to Burnsand by its external auditor, with reference to compatibility of the service with the external auditor's independence.

Audit and Corporate Governance Committee Oversight

There have been no recommendations of our Audit and Corporate Governance Committee to nominate or compensate an external auditor that have not been adopted by our board of directors.

External Auditor Service Fees

The aggregate fees billed and/or accrued for the years ended December 31, 2005 and 2004 for professional services rendered by Deloitte & Touche, Burnsand's auditor, are set out below:

Services Rendered	Years ended December 31,	
	2005	2004
Audit Fees ⁽¹⁾	\$ 100,000	\$ 125,000
Audit Related Fees ⁽²⁾	\$ 6,000	\$ 7,233
Tax Fees ⁽³⁾	Nil	\$ 39,500
All Other Fees ⁽⁴⁾	Nil	\$ 1,187

(1) For the audit of the financial statements of Burnsand and its subsidiaries and for services normally provided by the auditor in connection with statutory and regulatory filings.

(2) Audit related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported under the audit fees item above. These services consisted primarily of accounting consultations, out of pocket costs and Burnsand's portion of the Canadian Public Accountability Board participation levy.

(3) Tax fees were paid for tax compliance services and tax advice and planning, including the preparation of corporate tax returns and assistance with questions regarding tax audits, capital structure, tax reporting and corporate transactions.

(4) For services other than the fees reported in (1), (2) and (3), including support of Burnsand's commercially available accounting package.

Compensation Committee

The compensation committee ensures that Burnsand has high calibre executive management in place and a total compensation plan that is aligned with Burnsand's performance, as well as competitive, motivating and rewarding for participants. The compensation committee reviews and makes recommendations to the Board of Directors of Burnsand concerning the appointment of executive officers of Burnsand, and the establishment of, and any material changes to, executive compensation programs (including the general compensation philosophy and guidelines, incentive plan design and other remuneration and any adjustments to that compensation (salary, incentives, benefits options or other perquisites), including that of the Chief Executive Officer. The committee approves and reports to the Board of Directors on management succession plans (other than succession plans relating to the Chief Executive Officer, which are the responsibility of the governance committee). It is also responsible for overseeing the employee benefit plans for Burnsand.

The members of our compensation committee are John Kelly (Chair), Mike Cardiff and Terry Holland.

Executive Officers

The following are the executive officers of Burnsand, their titles and their province of residence.

Blair Baxter <i>Ontario, Canada</i>	Chief Operating Officer and Chief Financial Officer	Blair Baxter is Chief Operating Officer and Chief Financial Officer for Burntsand (from 2004). Mr. Baxter was an independent financial consultant (2003) and former Chief Financial Officer of Burntsand Inc. (1999 to 2002). Mr. Baxter was the President of Choreo Systems prior to its acquisition by Burntsand. Mr. Baxter holds a Bachelor of Commerce (Highest Honours) from Carleton University and a Chartered Accountant designation from the Ontario Institute of Chartered Accountants.
Scott Centurino <i>Massachusetts, USA</i>	Vice President, Solutions Infrastructure - USA	Mr. Centurino is Vice President, Infrastructure Solutions – USA. Mr. Centurino joined Burntsand in November of 2001 through an acquisition by Burntsand. Mr. Centurino has been with Primix since 1995 in various positions. Mr. Centurino has 10 years of experience working for software and IT services organizations. Mr. Centurino holds a Bachelor of Science degree in Computer Science and Engineering and a Master of Engineering in Computer Science (Systems and Architecture Concentration) from the Massachusetts Institute of Technology.
Martin Glover <i>Massachusetts, USA</i>	President - USA	Mr. Glover is President – USA. Mr. Glover joined Burntsand in November of 2001 through the acquisition of Primix in Boston, where he led a team of professionals that successfully delivered highly complex business solutions for blue chip clients since 2000. Mr. Glover has over 19 years of management experience in a variety of industries including telecommunications and financial services. Mr. Glover holds a Bachelor of Science, Business and Public Administration from the University of Texas at Dallas.
Edward Podbelski <i>Massachusetts, USA</i>	Vice President, Consulting Services - USA	Mr. Podbelski is Vice President, Consulting Services – USA. Mr. Podbelski joined Burntsand in November 2001 through the acquisition of a company in Boston, where he had served as a Senior Client Partner since 2000. Mr. Podbelski has over 25 years of experience working for software and IT services organizations. Mr. Podbelski holds a Bachelor of Arts from Brandeis University and a Masters of Science in Computer Information Systems from Bentley College.
John Slater <i>British Columbia, Canada</i>	Vice President, Western Region	Mr. Slater is Vice President, Western Region. Prior to joining Burntsand in January 2002, he was Vice President & Client Executive for EDS in Vancouver. John has over 20 years of experience in IT, telecommunications and professional services companies. Mr. Slater holds a Diploma in Technology, Computer Systems from the British Columbia Institute of Technology
James R. Yeates <i>British Columbia, Canada</i>	Chairman of Board and Chief Executive Officer	See Mr. Yeates’ biography under Directors of Burntsand.

Corporate Cease Trade Orders or Bankruptcies, Penalties or Sanctions

There have been no bankruptcies, receiverships or similar proceedings against Burtsand or any of its subsidiaries, or any voluntary bankruptcies, receiverships or similar proceedings by Burtsand or any of its subsidiaries, within the three most recently completed financial years or current financial year.

No shareholder holding a sufficient number of securities of Burtsand to materially affect control of Burtsand, director or executive officer of Burtsand, is, or has been, within the past ten years: (a) a director or officer of any company, that while that person was acting in that capacity (i) was subject to a cease trade or similar order or an order that denied that company access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days, (ii) was subject to an event that resulted, after the director or executive officer ceased to a director or executive officer, in that company being subject to a cease trade order, similar order or order that denied the relevant company access to any exemption under Canadian securities legislation for a period of more than 30 consecutive days; (iii) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets; (b) bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets.

Conflicts of Interest

To the knowledge of Burtsand, no director or executive officer of Burtsand has an existing or potential material conflict of interest with Burtsand or any of its subsidiaries.

INTERESTS OF EXPERTS

Deloitte & Touche LLP has provided an auditor's report in respect of the consolidated financial statements of Burtsand for the year ended December 31, 2005. To Management's knowledge Deloitte & Touche has no registered or beneficial interest, direct or indirect, in any securities or other property of Burtsand.

ADDITIONAL INFORMATION

Additional information relating to Burtsand, including our Directors' and officers' remuneration and indebtedness, principal holders of our common shares and securities authorized for inclusion under equity compensation plans, where applicable, is contained in our most recent Management proxy Circular for our most recent annual meeting of shareholders that involved the election of directors. Financial information is provided in the Consolidated Financial Statements and Management's Discussion and Analysis.

Copies of our most recent Annual Report, Financial Statements, Management's Discussion and Analysis, Management Proxy Circular and this Annual Information Form may be found on SEDAR at www.sedar.com and may be obtained from:

Burtsand Inc.
300 The East Mall, Suite 201
Toronto, ON M9B 6B7
Attn: Investor Relations

Tel: 416-234-3852
Fax: 416-234-3803
Email: InvestorRelations@burtsand.com

APPENDIX A

Burtsand Inc.

Audit and Corporate Governance Committee

Charter

Committee Mission: The Committee acts on behalf of the Burtsand Board of Directors to assist Board overseeing the integrity of Burtsand's financial statements, compliance with legal and regulatory requirements, the independent auditors' qualifications and independence, and the performance of Burtsand's independent auditors.

Members of the Committee are appointed by the Board of Directors and shall serve at the pleasure of the Board. The Board of Directors shall appoint the Committee Chair. Members of the Committee shall individually meet the independence requirements of the Toronto Stock Exchange and shall collectively meet the experience requirements of the Toronto Stock Exchange.

The Committee, without the necessity of seeking Board approval, shall have the authority to retain special legal, accounting, or other consultants to advise the Committee. The Committee may request any officer or employee of Burtsand or Burtsand's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Committee shall make regular reports of its meetings to the Board of Directors.

Functions, Duties and Authorities. The Committee shall:

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board of Directors;
2. With respect to the independent auditors,
 - (i) have sole authority to select, retain, evaluate, and replace the independent auditors (subject to shareholder approval, if applicable);
 - (ii) pre-approve all non-audit services for Burtsand (the Chair of the Committee shall have the authority to grant any required approvals, subject to the Chair reporting any such approvals to the Committee at its next scheduled meeting);
 - (iii) approve all audit services for Burtsand (the Chair of the Committee shall have the authority to grant any required approvals, subject to the Chair reporting any such approvals to the Committee at its next scheduled meeting);
 - (iv) instruct the independent auditors that the independent auditors are accountable to the Committee;
 - (v) obtain a report from the independent auditors at least annually regarding (a) the auditor's internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review of the auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditors, (c) any steps taken to deal with such issues, and (d) all relationships between the auditors and Burtsand so that the Committee may assess the auditor's independence;
 - (vi) to ensure that the independent auditors prepare and deliver annually a Statement of Independence (it being understood that the independent auditors are responsible for the accuracy and completeness of this Statement) and discuss with the independent auditors any relationships or

services disclosed in this Statement that may impact the objectivity and independence of Burntsand's independent auditors;

- (vii) recommend to the Board of Directors the compensation of the independent auditor; and
- (viii) as appropriate as determined by the Committee, obtain advice and assistance from outside legal, accounting or other advisors.

Burntsand shall provide appropriate funding, as determined by the Committee, for payment of compensation to any registered public accounting firm engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for Burntsand and to any advisors employed by the Committee.

3. With respect to the preparation of financial reports and the conduct of the related audits of Burntsand,
 - (i) advise management and the independent auditors that they are expected to provide to the Committee a timely analysis of significant financial reporting issues and practices (and, in that regard, the Committee directs, and shall be entitled to rely upon, management and the independent auditors to identify financial reporting issues and practices, if any, of the significance requiring Committee oversight);
 - (ii) meet with management and the independent auditors to (a) discuss the scope of the annual audit, (b) review the annual audited financial statements including disclosures made in management's discussion and analysis and related press releases prior to public disclosure, (c) discuss any significant matters arising from the audit or report as disclosed to the Committee by management or the independent auditors, (d) review the form of opinion the independent auditors propose to render with respect to the audited annual financial statements, (e) discuss significant changes to Burntsand's auditing and accounting principles, policies, or procedures proposed by management or the independent auditors, and (f) inquire of the independent auditors of significant risks or exposures, if any, that have come to the attention of the independent auditors and any difficulties encountered in conducting the audit, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management;
 - (iii) meet with management to review Burntsand's quarterly financial statements including disclosures made in management's discussion and analysis and related press releases prior to public disclosure;

At least annually prior to the filing of the audit report with the Commission (and more frequently if appropriate), review and discuss reports from the external auditor on (1) all critical accounting policies and practices to be used, (2) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the external auditor and (3) other material written communications between the external auditor and management, such as any management letter or schedules of unadjusted differences.

Discuss with management Burntsand's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).

4. Supervise and direct any special projects or investigations the Committee considers necessary;
5. Review with Burntsand's Counsel legal matters that may have a material impact of the financial statements and any material reports or inquiries received from regulators or government agencies raising significant issues as to compliance with applicable laws;

6. Meet separately, periodically, with representatives of management, and the independent auditors;
7. Set policies for Burntsand's hiring of employees or former employees of the independent auditors;
8. Establish procedures for the receipt, retention, and treatment of complaints received by Burntsand regarding accounting, internal accounting controls, and auditing matters and the confidential, anonymous submission by employees of Burntsand of concerns regarding questionable accounting or auditing matters;
9. Review with management Burntsand's contingency plans, other emergency recovery plans, and Burntsand's security program for end use computing;
10. Prepare and/or review any report of the Committee required to be included in Burntsand's annual proxy statement; and
11. Conduct and review with the Board of Directors annually an evaluation of the Committee's performance with respect to the requirements of this Charter.

While the Committee has functions, duties and authorities set forth in this Charter, its role is one of oversight. It is not the duty of the Committee to plan or conduct audits or to determine that Burntsand's financial statements are complete and accurate or are in accordance with generally accepted accounting principles. This is the responsibility of management. The independent auditors are responsible for planning and carrying out a proper audit and review, including, when requested, reviews of Burntsand's quarterly financial statements prior to the filing of each quarterly report. In fulfilling their responsibilities hereunder, it is recognized that the members of the Committee are not employees of Burntsand and are not, and do not represent themselves to be, serving as accountants or auditors. As such, it is not the responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting procedures and each member of the Committee shall be entitled to rely, in good faith, on the integrity of those persons or organizations within and outside Burntsand that it receives information, opinions, reports, or statements from and the accuracy of the financial and other information, opinions, reports or statements provided to the Committee by such persons or organizations.

The Committee will meet as often as it determines is appropriate, but not less frequently than quarterly. All Committee members are expected to attend each meeting, in person or via tele-videoconference. The Committee may invite any officer or employee of Burntsand, the external auditors, Burntsand's outside counsel, the Committee's counsel or others to attend meetings and provide pertinent information. Meeting agendas will be prepared by the Chief Financial Officer, subject to review and amendment by the Committee, and provided in advance to members, along with appropriate briefing materials. Minutes will be kept by a member of the Committee or a person designated by the Committee.

Delegation to Subcommittee. The Committee may delegate to a subcommittee of its members (including alternates) any of its functions, duties and authorities, on such terms and conditions and with such limitations (if any) as the Committee deems appropriate.

With respect to corporate governance matters pertaining to the shareholders and the Board of Directors. The Committee:

- has the specific and ongoing responsibility to review the state of Burntsand's corporate governance as to quality and effectiveness and to recommend enhancements to the Board of Directors;
- reviews the performance, but not the compensation, of the Chief Executive Officers (CEO) and succession planning for the CEO;
- reviews the role and composition of the board and its committees and the methods and processes by which the board fulfils its duties;
- reviews the performance of the board, its committees and the directors;
- considers board and committee agendas and the quality of material being presented; and
- establishes criteria for election and re-election as a director, thereby managing the director nomination process.