



BURNTSAND

Burntsand Inc.

Quarterly Report

**For the Quarter
Ended March 31st, 2007**

May 1st, 2007

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Dear Fellow Shareholder,

Thanks to the dedicated employees of Burntsand, your company once again improved its financial results. Compared to Q1/ 2006, nearly every key metric improved in Q1/2007. We believe that these results once again demonstrate that our business plan is the right one and that the plan has been well received by our employees, partners and clients.

Q1/2007 held many noteworthy accomplishments compared to Q1/2006, most notably;

- ✓ Services revenue grew by 47%
- ✓ EBITDA was \$120,000, versus a loss of (\$273,000)
- ✓ Net Income improved by \$387,000
- ✓ Our backlog of booked business increased to \$7.9 compared to \$4.4 million.
- ✓ We signed 22 contracts valued at \$100,000 or greater compared to 15
- ✓ We began work with 17 new customers compared to 8

These results clearly show that Burntsand is on its way to becoming *the best value choice* in our selected markets. The positive trends of 2006 have continued, demonstrating our consistent progress and growth.

This strong foundation from Q1/2007 gave us a good start to Q2/ 2007. After the start of Q2/2007, we announced a \$1,300,000 contract for custom application development with a wireless communications company – a contract that is significant not only for its size but because it represents the third year of an ongoing relationship with this client. During this quarter, Burntsand will also distinguish ourselves as one of only four Diamond-level sponsors of EMC World, a key customer event happening in Orlando in May. Though we are among good company, Burntsand stands out from the other major sponsors as EMC's Select Services Team partner of the year for 2006.

With a solid first quarter as our base and a good second quarter underway, we continue to feel confident about 2007. As always, we invite you to follow the progress of your company on our website (www.burntsand.com).



Tim Duffy
President & CEO



Jim Yeates
Chairman

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 1, 2007

The Management's Discussion and Analysis should be read in conjunction with our consolidated financial statements and the accompanying notes for the period ended March 31, 2007. Additional information relating to Burntsand Inc. ("Burntsand"), including our Annual Information Form, is available on SEDAR at www.sedar.com.

The consolidated financial statements of Burntsand have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The Consolidated Financial Statements and Management's Discussion and Analysis have been reviewed by the Burntsand Audit Committee and approved by the Burntsand Board of Directors. All amounts are in Canadian dollars unless otherwise specified.

Forward Looking Information

Certain information in this Management's Discussion and Analysis and in other public announcements contains forward-looking information. Such statements include, but are not limited to, statements which indicate the results, events or activities that Burntsand expects or anticipates will or may occur in the future, including statements which give guidance as to future revenues or other financial results of Burntsand and statements regarding the growth of business or operations, competitive strengths and strategic initiatives and plans. Such forward-looking statements can generally be identified by words such as "outlook", "guidance", "estimate", "forecast", "objective", "anticipate", "intend", "likely", "will", "may", "should", "could", "expect", "believe", and similar expressions and statements relating to matters that are not historical facts.

The forward-looking statements in these documents are based upon the reasonable beliefs of Burntsand and its management as of the date the information; however, forward-looking statements involve risks and uncertainties and are based upon factors that may change and assumptions that may prove, with the passage of time, to be incorrect. Accordingly, undue reliance should not be placed upon such statements. If factors materially change or assumptions are materially incorrect, the actual results, performance or achievements of Burntsand may be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements.

Important factors that could cause actual results, events or activities to differ materially from the forward-looking statements contained in this press release include: general economic business conditions; loss of key employees; integration of acquisitions; stock market volatility; supply and demand for services offered by Burntsand; changes in laws and regulations; Burntsand's ability to compete successfully, protect its intellectual property rights, and adapt to technological advances and changing industry standards and other factors. Important assumptions that were used in making the forward-looking statements include: effective daily rates, estimated utilization, estimated new bookings and realization on contracts

All statements made in these documents that contain forward-looking information are made as of the date of this document. Burntsand disclaims any intention and undertakes no obligation to update or revise any forward-looking statements to reflect new information, future events or otherwise.

Overview of Our Business

Summary

With a unique focus on helping clients unify information to increase agility, Burntsand is a North American leader in the delivery of systems integration consulting services. Burntsand partners with leading enterprises to achieve their Integrated Information Management goals through the delivery of Enterprise Content Management, Collaboration, Enterprise Operations & Service Management, and Customer Relationship Management solutions. Burntsand's optimized time to value approach makes the firm different: it gives customers an edge, helping them realize near-term business benefits and long-term competitive gains. The company's distinguished partner status with EMC, Microsoft and BMC reflects its business maturity and sustained technology depth. Headquartered in Toronto, Burntsand operates from locations across North America. The company's shares (TSX: BRT) are traded on the Toronto Stock Exchange.

Burntsand delivers business advantage for its mid-market clients (clients with revenues between \$200 million and \$1 billion), 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 specific industries: life sciences, healthcare, financial services, government and energy.

Our Business Strategy and Objectives for 2007

Our overall business strategy is to first and foremost drive our business to profitability and then grow our business while maintaining operating profitability through appropriate investments in personnel and strategic acquisitions.

In order to achieve this strategy, the following objectives have been set as of the end of 2006:

- Achieve profitability through revenue growth and cost management initiatives;
- Focus on profitable, select technologies on a company wide basis; and
- Acquire regional companies to enable critical mass and overall scale of operations.

Key Events in the Quarter

During the first quarter of 2007, the company achieved a number of milestones:

- The Company achieved both positive net income and EBITDA for the quarter.
- Services revenue grew by 47% over the comparable quarter.
- Our backlog of booked business increased to \$7.9 million.
- We signed 22 contracts valued at \$100,000 or more – 5 of which were announced in press releases.
- Activated the US\$ 5 million Line of Credit with Silicon Valley bank for future acquisitions and growth.

Quarterly Financial Information

Two Year Summary By Quarter
(unaudited, in thousands except per share amounts)

	<i>Years ended December 31</i>							
	2005			2006				2007
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Services revenue	\$ 4,234	\$ 4,313	\$ 4,467	\$ 4,456	\$ 4,790	\$ 5,688	\$ 5,391	\$ 6,572
Total revenue	\$ 5,094	\$ 4,862	\$ 5,126	\$ 5,135	\$ 5,462	\$ 7,187	\$ 5,854	\$ 7,649
EBITDA ⁽¹⁾	\$ (635)	\$ (155)	\$ 10	\$ (273)	\$ (131)	\$ 150	\$ (90)	\$ 120
Net income (loss)	\$ (792)	\$ (288)	\$ (127)	\$ (385)	\$ (225)	\$ 68	\$ (259)	\$ 2
Earnings (loss), basic and diluted, per share ⁽²⁾	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ 0.00

(1) Earnings (loss) before restructuring charge/recovery, amortization, interest and finance charges, 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. The Company provides EBITDA to separate the effect of amortization, interest and finance charges and taxes from its results.

(2) Rounded to the nearest cent.

Results of Operations

Our results of operations are affected by the economic conditions, levels of business activity and rates of change in the industries we serve. Our business is also driven, in part, by the pace of technological change and the type and amount of technology spending by our clients. The ability to identify and capitalize on these market and technological changes early in their cycles is a key driver of our performance. The current industry factors and economic trends that we are faced with are consistent with those disclosed in our 2006 Annual MD&A available on SEDAR at www.sedar.com.

The Company's quarterly results fluctuate based on a number of factors. License and maintenance ("LMI") revenue is project specific and is normally a small number of large transactions. As such, the timing from quarter to quarter often increases the variability of revenue.

Quarter ended March 31, 2007 (Q1 2007) compared to the quarter ended March 31, 2006 (Q1 2006).

Revenues

Revenues for the three months ended March 31, 2007 were \$7.6 million compared to \$5.1 million for Q1 2006. The increase from Q1 2006 was a result of higher service revenue (\$2.1 million), LMI revenue (\$0.3 million) and other

revenue (\$0.1 million). During the current quarter, service revenues were 86% of total revenues compared to 87% for Q1 2006. LMI revenues were 11% of total revenues in both Q1 2007 and Q1 2006. The Company's focus is on profitable services revenue, however, it will continue to earn revenues from LMI since the Company is an integrator in the business of delivering complete solutions to its customers. In the current quarter, 63% of revenue was from offices in the United States compared to 64% for Q1 2006.

The factors which have impacted service revenues in the current quarter were: significantly higher utilization in Q1 2007 of 81%, compared to 70% in Q1 2006; a lower effective rate by 7% compared to Q1 2006, and a change in our average headcount to 126 full-time-equivalent (FTE) delivery people, compared to 88 FTE in Q1 2006.

During the quarter, the Company worked on 137 projects (Q1 2006 – 106) for 74 customers (Q1 2006 – 55), of which 17 were new customers (Q1 2006 – 8). Of the 137 projects this quarter, 66 were new projects (Q1 2006 – 51) started this quarter. During the quarter, the Company signed 22 new contracts (Q1 2006 – 15), each valued at \$100,000 or more. The Company's top 10 customers accounted for 56% of total revenues (Q1 2006 – 56%) and included two customers which accounted for 30% of total revenues (Q1 2006 – 28%).

LMI revenues are impacted by the number of license sales during the quarter. Total license revenue was \$0.5 million and maintenance revenue was \$0.3 million. In general these are large single sales of licenses, which make up the majority of the license revenues. The large annual renewals of maintenance are typically at a low gross margin. LMI revenues increased in Q1 2007 by \$0.3 million from Q1 2006. The maintenance revenues consist of both new maintenance contracts on new licenses and renewal of maintenance contracts on previously sold licenses.

Costs

Cost of services in Q1 2007 increased by \$1.6 million from Q1 2006. The increase in cost of services was due to higher headcount in Q1 2007 over Q1 2006 – a direct impact of higher revenue. As a percentage of services revenues, cost of services increased to 68% in Q1 2007, compared with 66% in Q1 2006.

Cost of LMI increased by \$0.3 million from Q1 2006 due to the volume and change in mix of LMI products sold during the quarter. LMI costs are directly variable with revenue. LMI costs range from 50% to 95% of the manufacturer's list price and may fluctuate significantly from quarter to quarter. As a percentage of revenue, costs increased to 90% in Q1 2007 from 86% in Q1 2006.

Gross Profit

Gross profit for services, as a percentage of services revenue, was 32% for Q1 2007 compared to 34% in Q1 2006. The reduced gross profit from Q1 2006 is due to the lower effective rates, offset by the increase in utilization. Services profitability and company profitability is significantly impacted by utilization, average effective daily rates and headcount.

Gross profit for LMI was 10% in Q1 2007 compared to 14% in Q1 2006. Both specific opportunities and the mix of licenses and maintenance products impact gross profit in this area. The supplier and the type of the product determine the cost, and therefore gross profit, of LMI products. LMI is not the focus of our core business, although two locations continue to derive a portion of their local gross profit from this area.

Expenses

Sales and marketing expense increased by 6% in Q1 2007 compared to Q1 2006. The expense increase from Q2 2006 is due to higher sales commissions on higher revenue, offset by lower marketing programs in Q1 2007. In Q2 2007 Burnsand will be a Diamond (top) level sponsor at EMC World, the EMC Users conference. In previous years this event has been held in Q3 or Q4. A key objective for the Company is to increase revenue in 2007 and the sales and marketing efforts have been increased to pursue more opportunities. As a percentage of revenues, sales and marketing expenses were 6.3% compared to 8.8% in Q1 2006. The Company will continue to maintain its focus on growing revenues through additional sales efforts and marketing programs.

General and administrative expense increased by 11% in Q1 2007 compared to Q1 2006. The increase from Q1 2006 is related to compensation expense for increased management headcount and incentives for regional contribution. Recruiting expenses and professional fees were all relatively constant. As a percentage of revenues, general and administrative expenses have decreased to 11.2% in Q1 2007 from 15.0% in Q1 2006.

Other expenses consist of the following components:

	Three months ended	
	March 31, 2007	March 31, 2006
Rent, parking and office	\$ 260,769	\$ 252,584
Business travel & training	272,890	205,243
Telecommunications, technology and insurance	153,165	146,524
Foreign exchange expense	4,623	(33)
Miscellaneous (including bad debt)	22,750	29,195
Total Other Expenses	\$ 714,197	\$ 633,513

Overall, other expenses increased by 13% in Q1 2007 compared to Q1 2006. The increase in other expenses from Q1 2006 consists primarily of increased travel associated with higher revenue. One of the strategies being implemented in 2007 is to leverage our senior consultants over a larger geographic area – and a corresponding increase in travel costs. As a percentage of revenues, other expenses decreased to 9.3% in Q1 2007, compared to 12.3% in Q1 2006. Generally, other expenses are relatively fixed in nature and do not vary substantially with incremental revenue changes.

Other

Amortization of capital assets decreased in Q1 2007 compared to Q1 2006. This decrease in amortization is the result of lower net book value of capital assets. The Company has continued to replace computer hardware on a regular basis, purchasing \$88,566 of new assets and amortizing \$112,544 of capital assets in Q1 2006. The Company expects amortization of capital assets to slowly decrease as the net book value of capital assets continues to decrease.

Net interest and investment income was higher in Q1 2007 compared with Q1 2006 due to better rates of return on short-term investments held in the United States. The Company has several capital leases which incur interest expense and has incurred financing costs associate with the line of credit.

Liquidity and Capital Resources

The Company finished the period ended March 31, 2007 with cash and short-term investments of \$2.2 million compared to \$3.9 million at December 31, 2006. The decrease of \$1.7 million in cash and short-term investments is due to the financing of receivables (\$1.6 million), the acquisition of capital assets (\$0.1 million), the decrease in deferred revenue (\$0.5 million), offset by financing obtained through accounts payable and accrued liabilities (\$0.3 million, cash generated in operations (excluding working capital changes) of \$0.2 million, and other smaller items which in aggregate offset each other.

At March 31, 2007, the Company's short-term obligations include accounts payable and accrued liabilities, deferred revenue, and capital leases. The following table identifies the Contractual Obligations of the Company at March 31, 2007:

Contractual Obligations	Payments due by Period (calendar year)					
	Total	2007	2008	2009	2010	Beyond
Capital Lease Obligations	\$ 331,250	\$ 95,175	\$ 132,134	\$ 99,014	\$ 4,927	\$ -
Operating Leases	2,692,803	391,738	503,736	510,624	517,511	769,194
Total Contractual Obligations	\$ 3,024,053	\$ 486,913	\$ 635,870	\$ 609,638	\$ 522,438	\$ 769,194

On December 19, 2005, the Company announced it had filed a normal course issuer bid ("NCIB"), under which it may purchase up to 5,800,907 of its common shares. The Company will cancel any common shares purchased pursuant to the NCIB. Purchases may commence on December 21, 2005 and will terminate on December 20, 2006, or on such earlier date as the Company may complete its purchases. Any purchases will be made on the open market through the facilities of the TSX in accordance with TSX requirements. The price paid for any purchased common shares will be the market price of such shares on the TSX at the time of purchase. During the quarter ended March 31, 2006, no purchases were made under the NCIB.

The Company has no material outstanding commitments for capital expenditures. In general, the Company does not incur significant capital requirements for capital equipment as the Company grows. There is an ongoing requirement to upgrade existing capital assets, but the Company expects to fund this through operational cash flow. The Company has

leased some fixed asset additions in 2006 to maximize the available cash to fund growth and to recapture the residual value of the capital assets at the end of the lease (normally three years).

The Company requires working capital as the Company grows to support the timing differences between receivables and payables. The Company believes it has adequate cash reserves to fund this working capital requirement, however in the event that cash reserves were not sufficient, the Company has established a Line of Credit. The Company has a Line of Credit with Silicon Valley Bank to provide the Company with a line of credit of up to \$5,773,000 (US \$5,000,000). The Company may draw this limit in three tranches of US\$2,500,000; US\$1,250,000; and US\$1,250,000. The line of credit provides for borrowings based on 80% of eligible accounts receivable, subject to certain calculations as defined in the agreement. Borrowings under this line of credit bear interest at prime plus 1% to prime plus 2%, depending on certain covenants. Borrowings are secured by essentially all assets of the Company

To date, the Company has financed its operations, including operating losses, almost entirely through the issuance of share capital. The Company currently has cash reserves and expects to finance any budgetary requirements for internal growth with cash flow from operations, working capital on hand and/or the Line of Credit.

Share Capital

As of April 30, 2007, there are 72,510,219 common shares issued and outstanding and 10,242,919 options outstanding at exercise prices ranging from \$0.07 to \$1.33 with remaining weighted average contractual lives of 2.8 years.

Risk Factors and Risk Management

We believe our strategy of creating value through maintaining and enhancing our leadership in the four areas of Enterprise Content Management (ECM); Collaboration; Customer Relationship Management (CRM); and Enterprise Operations and Service Management provide us with a strategic advantage. However, as with any business, we are subject to risks that require prudent risk management. We believe the following risks are among the most important in order to understand the issues that face our business and our approach to risk management.

- Lengthy Sales and Implementation Cycles
- Market for Services; Market Acceptance
- Rapid Technological Change; New Products
- Management of Restructuring and Growth; Dependence on Key Personnel
- Integration of Newly Acquired Businesses
- Competition
- International Operations
- Reliance on Customers; Capital Spending
- Reliance on Third-Party Vendors (Partnerships)
- Limited Intellectual Property Protection
- Failure to Meet Performance Criteria

Additional information on these risks is available in our Annual Information Form filed on SEDAR at www.sedar.com.

Related Party Transactions

The Company has no (2006 – \$10,920) related party transaction during the current quarter. For the three month period ended March 31, 2006, revenues of \$10,920 were recorded related to services performed for a company (Bridges Transitions Inc.) with a director in common. These transactions were negotiated at arms length, valued at fair market value for the services performed and were in the ordinary course of business. The Company has no ongoing commitments under these agreements and Bridges Transitions Inc. is no longer a related party.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements. The preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These items are constantly monitored and analyzed by management for changes in facts and circumstances, and material changes in these estimates could occur in the future. Changes in estimates are recorded in the period in which they become known. We base our estimates on historical experience and various other assumptions

that we believe to be reasonable under the circumstances. Actual results may differ from our estimates if past experience or other assumptions do not turn out to be substantially accurate.

A summary of those accounting policies that we believe are most critical to fully understanding and evaluating our financial results is set forth in our 2006 Annual Report available on SEDAR at www.sedar.com. The following, Revenue Recognition and Allowance for Doubtful accounts is our most critical accounting estimate and should be read in conjunction with our Consolidated Financial Statements:

Revenue Recognition and Allowance for Doubtful Accounts

The Company derives its revenue from three principal sources—professional services (service revenue), the sale of third-party licenses and maintenance on the third-party licenses (license and maintenance revenue) and reimbursed expenses under professional service contracts (other revenue).

We recognize all of our revenue under written service contracts with our clients. Revenues from time and materials service contracts are recognized as the services are provided. Revenues from fixed-price engagements are recognized using the percentage of completion method based on the ratio of time spent relative to total estimated time. The percentage of completion method is used since reasonably dependable estimates of the revenues and costs applicable to various stages of a contract can be made, based on historical experience and milestones set in the contract. Finance department personnel confer regularly with project managers to discuss the status of the projects. For fixed-price engagements, the finance department is updated on the estimated time and required resources to complete the project. These estimates are then used to calculate revenue recognition and to estimate the anticipated income or loss on the project. In the past, we have been required to commit unanticipated additional resources to complete projects, which have resulted in lower than anticipated profitability or losses on those contracts. We may experience similar situations in the future. Provisions for estimated losses on contracts are made during the period in which such losses become probable and can be reasonably estimated.

Where the Company acts as principal in the purchase and sale of third-party software licenses and network infrastructure, under negotiated contracts with vendors, exercising pricing control, and bearing the risk of loss, collection and return, revenue and costs are recorded on the gross basis. The timing of revenue recognized from such license and network infrastructure sales can impact reported results significantly. In addition, the reporting of revenues on the gross basis will impact total revenues and costs of revenues significantly. Where the Company acts as an agent in a license, maintenance or network infrastructure sale, net revenue is recorded.

Maintenance and support service revenues are classified in third-party product revenue for financial reporting purposes. Where the Company is the primary obligor under a maintenance arrangement, revenue is recognized ratably over the term of the arrangement, generally one year. Where the Company acts solely as principal in the purchase and sale of third-party maintenance service arrangements, revenue is recognized upon the start of the maintenance period. Where the company receives a commission on the sale of third party products, the Company recognizes the net amount when the transaction is completed.

We recognize revenue only in those situations where collection from the client is reasonably assured. Our normal payment terms are 30 days from invoice date. For the periods ended March 31, 2007 and December 31, 2006, our average days-sales-outstanding for accounts receivable was 68 days and 66 days, respectively. Our project managers and finance personnel continuously monitor timely payments from our clients and assess any collection issues. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our clients to make required payments. We base our estimates on our historical collection experience, current trends, credit policy and percentage of our accounts receivable by aging category. In determining these estimates, we look at historical write-offs of our receivables and review each client's account to identify any specific customer collection issue. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payment, additional allowances may be required. Our failure to accurately estimate the losses for doubtful accounts and ensure that payments are received on a timely basis could have a materially adverse effect on our business, financial condition and results of operations. As of March 31, 2007 and December 31, 2006, \$0.1 million was provided for doubtful accounts and unbilled receivables.

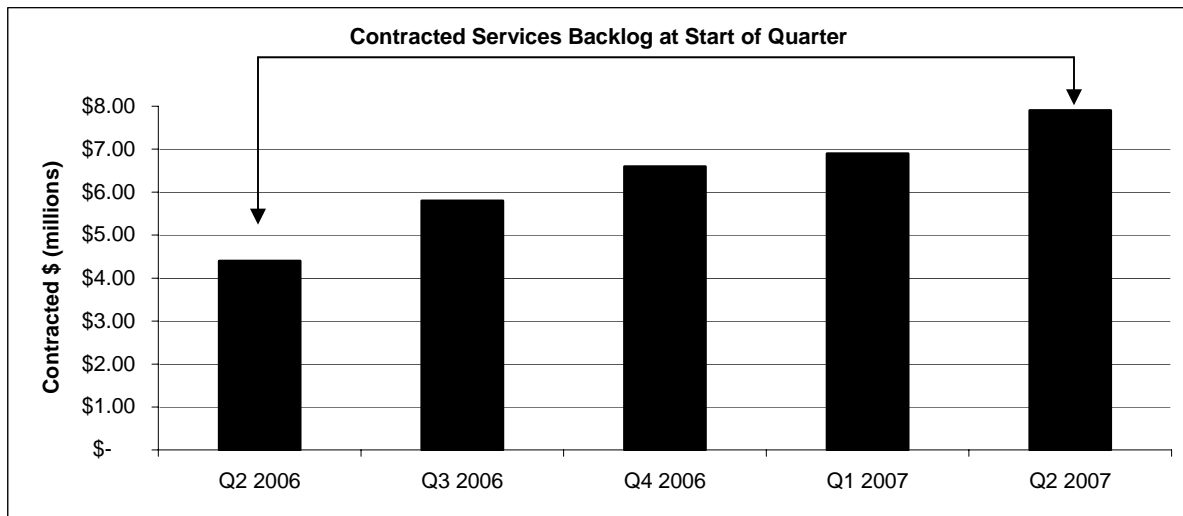
Outlook

The Company's history is one of expansion of its core business through the addition of new practice areas and geographical territories. This expansion has been accomplished in part by the acquisition of companies and in part by internal organic growth.

The Company entered Q2 2007 with \$7.9 million (Q2 2006 - \$4.4 million) in services backlog, of which \$5.0 million (Q2 2006 - \$3.4 million) is scheduled to be completed in the second quarter of 2007. The Company defines backlog as both signed contracts for specific projects or time and material contracts (T&M) with purchase orders/statements of work for specific people and periods of time. In addition to contracts for specific projects, the Company has contracts for T&M work which are general contracts, terminable by clients on short notice or without notice. Accordingly, we do not believe it is appropriate to characterize these contracts as backlog. Normally if a client terminates a project, the client remains obligated to pay for services performed and reimbursable expenses incurred by us through the date of termination.

During the quarter the Company announced five significant customer contracts for a total value of \$3.9 million. Subsequent to the end of the quarter, the Company announced an additional contract valued at \$1.3 million.

The Company has been focused on increasing revenue and this has been reflected in a higher backlog at the start of each of the last four quarters. The following graph highlights this trend.



The Company continues to focus on revenue growth, cost containment and the drive for long-term, sustainable profitability.

Notice to Reader

The accompanying unaudited interim consolidated statements of Burntsand Inc. for the period ended March 31, 2007 have been prepared by management and approved by the Audit and Corporate Governance Committee and the Board of Directors of the Corporation. These statements have not been reviewed by Burntsand Inc.'s external auditors.

A handwritten signature in black ink, appearing to read "Tim Duffy", positioned to the left of a vertical red line.

Tim Duffy
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read "Blair Baxter, CA", positioned to the right of the vertical red line.

Blair Baxter, CA
Chief Financial Officer

BURNTSAND INC.
Consolidated Balance Sheets

	March 31, 2007	December 31, 2006
	(unaudited)	
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 971,763	\$ 1,168,324
Short-term investments	1,274,494	2,734,121
Accounts receivable (Note 2)	5,820,830	4,272,488
Prepaid expenses	442,014	483,736
	8,509,101	8,658,669
Capital assets	1,541,170	1,585,936
Goodwill and other intangibles	168,323	169,898
	\$ 10,218,594	\$ 10,414,503
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 2,740,035	\$ 2,454,187
Deferred revenue	673,990	1,067,246
Current portion of obligations under capital leases	123,690	121,871
	3,537,715	3,643,304
Long-term portion of deferred revenue	45,953	105,839
Long-term portion of obligations under capital leases	207,560	236,578
	3,791,228	3,985,721
SHAREHOLDERS' EQUITY		
Common shares	9,591,165	9,588,902
Contributed surplus	1,089,081	1,052,745
Deficit	(2,026,361)	(2,028,375)
Cumulative translation adjustment	(2,226,519)	(2,184,490)
	6,427,366	6,428,782
	\$ 10,218,594	\$ 10,414,503

See accompanying Notes to the Consolidated Financial Statements

BURNTSAND INC.
Consolidated Statements of Operations and Deficit

	Three months ended March 31,	
	2007	2006
	(unaudited)	(unaudited)
REVENUE		
Services	\$ 6,571,665	\$ 4,456,063
License and maintenance	839,899	548,151
Other revenue	237,670	130,939
	7,649,234	5,135,153
COSTS		
Cost of services	4,495,859	2,945,825
Cost of license and maintenance	756,406	472,740
Cost of other revenue	222,044	130,939
	5,474,309	3,549,504
GROSS PROFIT	2,174,925	1,585,649
EXPENSES		
Sales and marketing	482,550	453,316
General and administrative	858,302	771,551
Other expenses	714,197	633,513
	2,055,049	1,858,380
Earning (loss) before restructuring, amortization, interest and income taxes	119,876	(272,731)
Amortization of capital assets	(112,544)	(129,044)
Interest and investment income	28,597	17,780
Interest expense and financing costs	(6,975)	(1,264)
Income Taxes	(26,940)	-
NET INCOME/(LOSS) FOR THE PERIOD	\$ 2,014	\$ (385,259)
DEFICIT, BEGINNING OF PERIOD	\$ (2,028,375)	\$ (1,227,824)
DEFICIT, END OF PERIOD	\$ (2,026,361)	\$ (1,613,083)
Loss, basic and diluted, per share	\$ 0.00	\$ (0.01)
Weighted average number of common shares used to calculate per share amounts, basic and diluted	72,504,270	72,983,885

See accompanying Notes to the Consolidated Financial Statements

BURNTSAND INC.
Consolidated Statements of Cash Flows

	Three months ended March 31,	
	2007	2006
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the period	2,014	(385,259)
Items not affecting cash:		
Amortization of capital assets and intangibles	112,544	129,044
Amortization of assets used in outsourcing contract	44,260	-
Stock-based compensation (Note 4)	37,036	43,592
	195,854	(212,623)
Changes in operating assets and liabilities:		
Accounts receivable	(1,591,192)	(295,281)
Prepaid expenses	39,117	(265,361)
Accounts payable and accrued liabilities	273,276	430,779
Deferred revenue	(452,877)	114,665
Accrued restructuring charge	-	(86,190)
	(1,535,822)	(314,011)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short term investments	1,456,239	224,653
Purchase of capital assets, net of related accounts payable	(88,566)	(54,289)
	1,367,673	170,364
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(26,516)	(1,530)
Issue of common shares	1,563	-
	(24,953)	(1,530)
NET CASH OUTFLOW	(193,102)	(145,177)
EFFECT OF FOREIGN EXCHANGE RATE		
CHANGES ON CASH	(3,459)	487
CASH (EXCLUDING SHORT TERM INVESTMENTS), BEGINNING OF PERIOD	1,168,324	2,756,475
CASH (EXCLUDING SHORT TERM INVESTMENTS), END OF PERIOD	971,763	2,611,785

See accompanying Notes to the Consolidated Financial Statements

BURNTSAND INC.

Notes to the Consolidated Financial Statements (unaudited)

March 31, 2007 and 2006

These interim unaudited Consolidated Financial Statements do not include all note disclosures required by Canadian generally accepted accounting principles ("GAAP") for annual financial statements and therefore should be read in conjunction with the audited Consolidated Financial Statements, including the Notes thereto in the Burntsand Inc. 2006 Annual Report.

In the opinion of management, these interim consolidated financial statements contain all of the adjustments of a normal and recurring nature necessary to present fairly the Company's financial position as at March 31, 2007 and the results of operations and cash flows for the three month periods ended March 31, 2007 and 2006.

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES:

The interim Consolidated Financial Statements include the accounts of the Company and its subsidiaries (collectively "the Company"). The Notes presented in these interim Consolidated Financial Statements include only significant changes and transactions occurring since the Company's last year end and are not fully inclusive of all matters normally disclosed in the Company's annual audited consolidated financial statements. These consolidated financial statements are prepared using the same accounting principles and application thereof as the financial statements for the year ended December 31, 2006.

2. ACCOUNTS RECEIVABLE

	March 31, 2007	December 31, 2006
Accounts receivable	\$ 5,670,212	\$ 4,290,996
Unbilled receivables	291,650	123,106
Provision for doubtful accounts and unbilled receivables	(141,032)	(141,614)
	<u>\$ 5,820,830</u>	<u>\$ 4,272,488</u>

3. SHARE CAPITAL

As at March 31, 2007, there were 72,510,219 (December 31, 2006 – 72,502,885) common shares issued and outstanding; and 10,242,919 (December 31, 2006 – 10,354,174) options issued and outstanding at exercise prices ranging from \$0.07 to \$1.33 with remaining weighted-average contractual lives of 3.0 years.

On December 19, 2005, the Company announced it had filed a normal course issuer bid ("NCIB"), under which it may purchase up to 5,800,907 of its common shares. All purchases are made on the open market through the facilities of the TSX in accordance with TSX requirements. The price paid for the purchased common shares is the market price of such shares on the TSX at the time of purchase. The NCIB terminated on December 20, 2006 and has not been renewed. There were no purchases during the period ended March 31, 2006.

BURNTSAND INC.

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March 31, 2007 and 2006

4. STOCK-BASED COMPENSATION

Stock based compensation is calculated using the fair value of each option granted using the Black Scholes option pricing model on the date of grant and is amortized over the vesting period. In the event an option grant expires unvested, the previously recorded expense is reversed in the period when the unvested option expires. In each quarter the stock based compensation expense consists of the amortization of previous grants, plus the amortization of new grants, less the recovery of previously recorded expense for unvested options that expired in the quarter.

There have been 15,750 options granted for the three months ended March 31, 2007 (2006 – 102,875). The “fair value” of each option granted was estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions:

	Three months ended March 31,	
	2007	2006
Dividend yield	0%	0%
Risk-free interest rate	4.00%	4.02%
Expected volatility	80%	67%
Expected life	3 years	3 years
Weighted average fair value per option	\$0.157	\$0.063
Weighted average exercise price per option	\$0.290	\$0.135

In each quarter the stock based compensation expense consists of the amortization of previous grants, plus the amortization of new grants, less the recovery of previously recorded expense for unvested options that expired in the quarter. For the quarter ended March 31, 2007, an expense of \$37,036 (2006 – \$43,592) has been recorded for stock based compensation, allocated as follows:

	Three months ended March 31,	
	2007	2006
Cost of services	\$ 11,876	\$ 13,758
Sales and marketing expense	696	601
General and administrative expense	24,464	29,233
Total stock based compensation	\$ 37,036	\$ 43,592

BURNTSAND INC.

Notes to the Consolidated Financial Statements (unaudited)

March 31, 2007 and 2006

5. SUPPLEMENTAL CASH FLOW AND NON-CASH INVESTING AND FINANCING DISCLOSURE

	Three months ended March 31,	
	2007	2006
Cash payments for interest	\$ 6,975	\$ 1,264
Cash receipts for interest	\$ 50,430	\$ 19,214
Cash payments for taxes	\$ 1,173	\$ 6,465
Purchase of capital assets under capital leases	\$ -	\$ -

6. RELATED PARTY TRANSACTIONS

Related party transactions for the three-month period ended March 31, 2007 not disclosed elsewhere in these financial statements include:

- (a) revenues of \$Nil (2006 - \$10,920) earned from a company with a director in common.

7. LINE OF CREDIT, COMMITMENTS AND CONTINGENCIES

(a) *Line of credit*

The Company has a line of credit with Silicon Valley Bank to provide the Company with a two year line of credit of \$2,913,500 (US \$2,500,000). This limit may be increased by the Company to a maximum of \$5,827,000 (US \$5,000,000), subject to certain covenants as defined in the agreement. The line of credit provides for borrowings based on 80% of eligible accounts receivable, subject to certain calculations as defined in the agreement. Borrowings under this line of credit bear interest at prime plus 1% to prime plus 2%, depending on certain covenants. Borrowings are secured by essentially all assets of the Company. There have been no borrowings in the period ended March 31, 2007.

(b) *Letters of Credit*

As at March 31, 2007 the Company has no outstanding standby letters of credit (December 31, 2006 - \$75,704 to landlords).

BURNTSAND INC.

Notes to the Consolidated Financial Statements (unaudited)

March 31, 2007 and 2006

8. SEGMENTED INFORMATION

The Company operates in one business segment – business solutions that deliver enhanced productivity. Revenues are allocated to countries based on location of the primary office providing the services. The Company earned revenue from sales to customers in the following geographic locations:

	Three months ended March 31,	
	2007	2006
Canada	\$ 2,829,864	\$ 1,850,589
United States	4,819,370	3,284,564
	<u>\$ 7,649,234</u>	<u>\$ 5,135,153</u>

Long-lived assets (capital assets and goodwill) are located as follows:

	March 31,	December 31,
	2007	2006
Canada	\$ 1,041,914	\$ 1,134,104
United States	667,579	621,730
	<u>\$ 1,709,493</u>	<u>\$ 1,755,834</u>

CORPORATE INFORMATION

Exchange Listing: The common shares of Burntsand Inc. (BRT) are listed on the Toronto Stock Exchange.

Auditors: Deloitte & Touche LLP. Toronto, Ontario

Registered Office: Borden Ladner Gervais, Vancouver, British Columbia

Registrar and Transfer Agent: Computershare Trust Company of Canada, Vancouver, British Columbia

Investor Relations: For further information about Burntsand or additional copies of this report, please contact:
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DIRECTORS

Michael Cardiff⁽¹⁾⁽²⁾

Chief Executive Officer, *Accerlents Inc*

Tim Duffy

President and Chief Executive Officer, *Burntsand Inc.*

Terry Holland⁽¹⁾⁽²⁾

President and Chief Executive Officer, *Krystal Financial Corporation*

John Kelly⁽¹⁾⁽²⁾

Chairman, *NexInnovations Inc.*

Jim Yeates

Chairman, *Burntsand Inc.*

⁽¹⁾ Member of the Audit and Corporate Governance Committee

⁽²⁾ Member of the Compensation Committee

CORPORATE MANAGEMENT AND OFFICERS

Tim Duffy

President and Chief Executive Officer

Martin Glover

Chief Operating Officer

Blair Baxter

Chief Financial Officer

Edward Podbelski

Vice President, Consulting Services-USA

John Slater

Vice President, BC

