



BURNTSAND

Quarterly Report

**For the Quarter
Ended September 30, 2008**

November 6, 2008

November 6, 2008

Dear Fellow Shareholder:

During the third quarter we focused on sales and marketing activities to drive growth in orders and revenue with all of our key partners and improvement in operational results.

We are pleased to report that Q3 service revenue increased to \$5.6 million up 8.8% over the \$5.1 million in Q2 2008 with revenue from our US Operations up 11.0%. Orders in Q3 included 17 new contracts valued at \$100,000 with 14 of these in the US and 3 in Canada. Our Q3 orders included one contract valued at \$500,000US to provide Enterprise Content Management consulting services in our ECM practice to a large global provider of software and services and another contract with a major health care client in Canada valued at \$439,000 to provide Microsoft Exchange and related messaging support services in our Collaboration practice. Finally our backlog increased to \$ 8.0 million at September 30, 2008, up 6.6% from the \$7.5 million at June 30, 2008.

Marketing initiatives in the third quarter were focused in two areas:

- Focused marketing events to continue to build Burnsands' HealthCare Solutions position in the marketplace. These solutions continue to resonate in the market as Burnsands provides enhanced clinical and business best practice solutions to the Healthcare provider market, and
- SharePoint Content Management Webinar series providing best practices in SharePoint governance for the enterprise.

Results from operations included Q3 EBITDA of \$305,000 up significantly from the EBITDA loss of (\$184,000) reported for Q2 2008. Q3 service gross profit increased to 34.5% from 30.6% in Q2 2008 as we continued to focus on operational efficiency. Our balance sheet remains strong with over \$5.1 million of working capital as at September 30, 2008 which is up \$0.6 million from the working capital as at June 30, 2008.

While we are working hard to report a strong finish to 2008, at the same time we continue to work closely with our clients and on the other opportunities we have identified in order to finalize our 2009 operating plan. In light of the current economic reality we will continue to focus on three priorities:

- Use our marketing and sales teams to consistently grow our revenue through improving productivity
- Expand revenue opportunities with new business process solutions with an industry focus; and
- Improve profitability through an increase in productivity and careful management of expenses.

We appreciate your continued support for Burnsands.

(s) Martin L. Glover

(s)James R. Yeates

Martin L. Glover
Chief Executive Officer

James R. Yeates
Chairman

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 6, 2008

The Management's Discussion and Analysis should be read in conjunction with our consolidated financial statements and the accompanying notes for the period ended September 30, 2008. 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

The Company's business is providing IT consulting services to our clients. These consulting services are targeted at Fortune 2000 companies or divisions of Fortune 2000 companies with complex information processing and information management requirements in three areas or practices - Enterprise Content Management, Collaboration, and Service Management - all of which can be classified under the industry term Integrated Information Management. The Company's practices all deliver similar services to our clients - strategic design, technology architecture services and custom application development. These services are all aligned around our strategic partners. Finally, the Company is focused on clients in a small number of industries to provide the greatest possible industry knowledge.

Practices

Enterprise Content Management - Information or content traditionally takes the form of structured data (such as customer data, employee information, health records, insurance records, etc), unstructured data (such as

documents and drawings), and semi-structured data (such as forms and records). A solution based on Enterprise Content Management provides a client with an application to better manage and process this information across the entire enterprise and is normally integrated with an existing application or set of records in another information system. The Company's strategic partner in this practice is EMC/Documentum. We are the #2 Select Services Team (SST) worldwide.

Collaboration – The ability to work as teams on business processes and improve productivity is the fundamental advantage of collaboration. The Collaboration practice uses a suite of Microsoft technologies. The Company's services in the collaboration practice include developing advanced portal solutions and custom application development. Additionally, the Company is a leading provider of user interface design for portals and applications, ensuring a high rate of system adoption and user satisfaction. Our strategic partner in this practice is Microsoft – the Company is a Microsoft Gold Partner in both Canada (5 competencies with 4 additional specializations) and the US (4 competencies with 7 additional specializations).

Service Management – are solutions to enable an organization to respond proactively and efficiently to the technology demands of its business units, providing superior IT and infrastructure support. Service Management is a relatively universal business process that takes on specific names like Business Service Management, Facilities Management, Logistics Management, and Technology Infrastructure Management. Our strategic partner in this practice is BMC/Remedy.

Services

All our practices provide a broad spectrum of consulting services – from both a business and technology expertise standpoint. One of the compelling reasons that clients select the Company is the knowledge and expertise our people provide in the following areas:

Our strategic services – Often referred to as Roadmaps our services begin with a thorough understanding of a client's business strategy and its critical success factors and objectives; which are then mapped against an assessment of its current state of both technology and culture; then developed into a future vision and finally a high level plan to achieve the client's business strategy. Once the strategy has been set, additional services are available to assist the client in achieving their objectives.

Our technology architecture services – The architecture or design is one of the most critical steps prior to starting work on a custom development project – inadequate architecture and design almost always leads to unsuccessful implementations. Our architects are some of the best in the business – most with 10 or more years experience.

Our custom development services – The most visible part of our business is the custom development we do for clients where we strive for the best time to value for our clients combined with the best client experience. Building robust, custom applications which are often integrated with Oracle and SAP back office applications bring the highest value possible to our clients. These custom applications are built on our strategic partner technologies from Microsoft, EMC/Documentum and BMC/Remedy.

Our other services – Creating a strategic direction, architecting the best solution and developing the applications are only the first steps to deliver value to our customers – implementing the solution, change management, training and knowledge transfer are often the most critical part of the clients needs. Our teams provide these services as part of our consulting services.

Clients

By providing these services to our clients, we help them to unify and integrate their information to increase their productivity and realize near-term business benefits and long-term competitive gains. The Company's clients are mid-market companies (revenues between \$100 million and \$1 billion), including divisions of the top 2000 companies as ranked by revenue ("Global 2000 companies") in Canada and the United States.

The Company is primarily focused on "business to business" relationships and has developed expertise in specific industries: life sciences, healthcare, financial services, government and energy. In order to improve our gross margins and profitability, our strategy is to focus more on business process owners within these industries who require our consulting services as part of a solution to business problems, while continuing to provide best in class strategy, technology architecture and custom application development to all our clients on their development projects.

In addition to direct relationships with clients, we provide services to our strategic partners. All of our strategic partners have contracted the Company's consultants to provide services to their clients – perhaps the most ringing endorsement of the quality of our people and services. It is the expertise and professionalism that our consultants provide to clients which create the distinctiveness of our services.

Headquartered in Toronto, the Company operates from locations across North America. The company's shares (TSX: BRT) are traded on the Toronto Stock Exchange.

Our Business Strategy and Objectives for 2008 and beyond

Our overall business strategy is to deliver sustainable growth in key metrics – revenue, gross margin, profitability and ultimately shareholder value by focusing on solutions for business process owners in our practice and industry areas.

In order to achieve this strategy, the following objectives have been established:

- increase our marketing efforts to accelerate revenue growth and improve profitability;
- create more business process solutions with an industry focus to improve gross profit; and
- focus on productivity to improve services gross profit, manage expenses and increase net income.

Quarterly Financial Information

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

	2006		2007			2008		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Services revenue	\$ 5,391	\$ 6,572	\$ 5,621	\$ 5,372	\$ 5,314	\$ 5,033	\$ 5,127	\$ 5,577
Total revenue	\$ 5,854	\$ 7,649	\$ 6,506	\$ 6,690	\$ 5,636	\$ 5,339	\$ 5,830	\$ 6,676
EBITDA ⁽¹⁾	\$ (90)	\$ 120	\$ (443)	\$ 391	\$ 393	\$ (95)	\$ (184)	\$ 305
Net income (loss)	\$ (259)	\$ 2	\$ (609)	\$ 277	\$ 336	\$ (187)	\$ (265)	\$ 217
Income (loss), basic and diluted, per share ⁽²⁾	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ 0.00	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ 0.00

⁽¹⁾ The Company reports EBITDA because it is a key measure used by management to evaluate performance of business units and the Company. EBITDA is a non-GAAP measure, has no standardized meaning under GAAP and is therefore unlikely to be comparable to similar measures for other issues. EBITDA is calculated as Net income less amortization, interest income and expense and taxes. Amounts are rounded to the nearest thousand dollars in each quarter.

⁽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 Company's quarterly results fluctuate based on a number of factors. License, maintenance and infrastructure ("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.

Impact of Foreign Exchange

Our results for the periods ended September 30, 2008 and 2007 are impacted by the effect of foreign exchange on the consolidation of our US operations. The weighted average exchange rates used to convert one US dollar to Canadian dollars to consolidate our US operations ("consolidation foreign exchange rate") were as follows:

<u>Period ending</u>	<u>2008</u>	<u>2007</u>
Three months ending September 30 th	1.042	1.045
Nine months ending September 30 th	1.019	1.105

The following comparisons include the impact of foreign exchange.

Quarter ended September 30, 2008 (Q3 2008) compared to the quarter ended September 30, 2007 (Q3 2007).

Revenues

Revenues for the three months ended September 30, 2008 were \$6.7 million compared to \$6.7 million for Q3 2007. During the current quarter, service revenues were \$5.6 million or 83.5% of total revenues compared to \$5.4 million or 80.3% for Q3 2007. LMI revenues were 12.7% of total revenues in Q3 2008 and 15.8% in Q3 2007. 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, 65% of revenue (Q3-2007 – 61%) and 74% of services revenue (Q3-2007 – 71%) was from offices in the United States.

Service revenue-

During the quarter, the Company worked on 152 projects (Q3 2007 – 139) for 73 customers (Q3 2007 – 65), of which 12 were new customers (Q3 2007 – 7). Of the 152 projects this quarter, 53 were new projects (Q3 2007 – 51) started this quarter. During the quarter, the Company signed 17 new contracts (Q3 2007 – 6) each valued at \$100,000 or more. The Company's top 10 customers accounted for 59% of Q3 2008 service revenues (Q3 2007 – 64%). During the quarter, no customer represented more than 10% of services revenue compared to 3 customers in Q3 2007 which represented 42% of Q3 2007 services revenue. Utilization in Q3 2008 was 80.4% compared to 80.7% in Q3 2007.

The \$0.2 million increase in service revenues in the current quarter to \$5.6 million from \$5.4 million in Q3 2007 was primarily due to the following: increase of \$0.5 million resulting from a 9.8% increase in the effective billing rate; increase of \$0.1 million due to one additional billing day in Q3 2008; and, decrease of \$0.4 million due to the reduction in the average full-time-equivalents ("FTE") delivery people to 106 FTE from 114 FTE in Q3 2007. The higher effective billing rate was primarily due to new projects in Q3 2008 which required more senior professional service employees and consultants that were billed at higher rates and a reduction in revenue on lower billing rate fixed price contracts in Q3 2008 compared to Q3 2007.

LMI revenue-

LMI revenues are impacted by the number of license sales during the quarter. Total license revenue was \$10,000 and maintenance revenue was \$835,000. In general these are large single sales of licenses, which are inconsistent from quarter to quarter. The annual renewals of maintenance are typically at a low gross margin. 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 Q3 2008 increased by \$170,000 from Q3 2007. The increase in cost of services was due to the impact of pay increases effective October 2007, increases in employee benefit costs, and the shift in mix of professional service employees and consultants to more highly paid senior people. As a percentage of services revenues, cost of services was 65.5% in Q3 2008 compared with 64.8% in Q3 2007.

Cost of LMI decreased by \$159,000 from Q3 2007 due to the decrease in volume of LMI products sold during the quarter. LMI costs are directly variable with revenue. As a percentage of revenue, cost of LMI was 96.3% in Q3 2008 compared with 92.3% in Q3 2007.

Gross Profit

Gross profit for services, as a percentage of services revenue, was 34.5 % in Q3 2008 and 35.2% in Q3 2007. Services profitability and Company profitability is significantly impacted by utilization, average effective daily billing rates and headcount.

Gross profit for LMI was 3.7% in Q3 2008 compared to 7.7% in Q3 2007. 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.

Expenses

Sales and marketing expense increased by 44% in Q3 2008 compared to Q3 2007 due to an increase in salary and benefit costs for additional marketing and sales personnel added in 2008 in order to stimulate the growth of orders and revenue. As a percentage of revenues, sales and marketing expenses were 7.5% in Q3 2008, an increase from 5.2% in Q3 2007.

General and administrative expense decreased by 9% in Q3 2008 compared to Q3 2007. The decrease from Q3 2007 is related to a reduction in recruiting expenses and a reduction in incentive compensation due to lower regional contribution. As a percentage of revenues, general and administrative expenses have decreased to 9.0% in Q3 2008 from 9.9% in Q3 2007.

Other expenses consist of the following components:

	Three months ended	
	September 30, 2008	September 30, 2007
	(unaudited)	(unaudited)
Rent, parking and office	\$ 201,632	\$ 213,134
Business travel & training	147,187	181,337
Telecommunications, technology and insurance	136,457	151,342
Foreign exchange expense	8,781	11,551
Miscellaneous expense (including bad debt)	75,179	37,115
Total Other Expenses	<u>\$ 569,236</u>	<u>\$ 594,479</u>

Overall, other expenses decreased by 4% in Q3 2008 compared Q3 2007. The decrease in other expenses from Q3 2007 consists primarily of lower rent due to relocation in 2007 to smaller offices and lower cost premises as well as other cost saving initiatives. The increase in miscellaneous expense is primarily attributable to consulting fees. As a percentage of revenues, other expenses decreased to 8.5% in Q3 2008, compared to 8.9% in Q3 2007. Generally, other expenses are relatively fixed in nature and do not vary substantially with incremental revenue changes.

Other

Amortization of capital assets decreased in Q3 2008 compared to Q3 2007. 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 \$10,000 of new assets and amortizing \$79,000 of capital assets in Q3 2008. The Company expects amortization of capital assets to slowly decrease as the net book value of capital assets continues to decrease.

Interest and investment income was \$14,000 in Q3 2008 compared with \$8,000 in Q3 2007 due to higher cash and investment balances.

The Company has several capital leases which incur interest expense and has incurred financing costs associated with the line of credit.

Nine months ended September 30, 2008 (YTD 2008) compared to nine months ended September 30, 2007 (YTD 2007)

Revenues

Revenues for the nine months ended September 30, 2008 were \$17.8 million compared to \$20.8 million for the same period in 2007. For the nine months ended September 30, 2008 service revenues were \$15.7 million or 88.1% total revenues compared to \$17.6 million or 84.3% for YTD 2007. LMI revenues were 8.0% of total revenues for YTD 2008 and 12.1% for YTD 2007. 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, 65% of revenue (YTD 2007 – 63%) and 70% of services revenue (YTD 2007 – 71%) was from offices in the United States.

Service revenue-

Service revenue for the nine months ended September 30, 2008 was \$15.7 million, a decrease of \$1.9 million from the \$17.6 million for same period in 2007. Services revenue was down \$2.6 million due to: \$1.6 million resulting from a reduction in average FTE delivery personnel to 108 FTE compared to 119 FTE in YTD 2007; \$1.0 million from the strengthening of the Canadian dollar vs. the United States dollar; and, \$0.1 million from a reduction in the utilization rate to 79.3% compared to 79.9% for YTD 2007. Offsetting this was a \$0.7 million increase in revenue resulting from a 5.3% increase in the effective billing rate and an increase of \$0.1 million due to one additional billing day in YTD 2008.

LMI revenue-

LMI revenues are impacted by the number of license sales during the period. Total license revenue was \$428,000 and maintenance revenue was \$1.0 million. In general these are large single sales of licenses, which are inconsistent from quarter to quarter. The annual renewals of maintenance are typically at a low gross margin. 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 YTD 2008 decreased by \$1.0 million from YTD 2007. The decrease in cost of services was primarily due to lower headcount in YTD 2008 over YTD 2007 – an impact of lower revenue and the favorable impact on cost of services of the strengthening of the Canadian dollar vs. the United States dollar. As a percentage of services revenues, cost of services were 68.8% in YTD 2008 and 67.4% in YTD 2007.

Cost of LMI decreased by \$0.9 million from YTD 2007 due to the decrease in volume of LMI products sold during the period. LMI costs are directly variable with revenue. As a percentage of revenue, cost of LMI was 95.4% in YTD 2008 compared with 91.8% in YTD 2007.

Gross Profit

Gross profit for services, as a percentage of services revenue, were 31.2% in YTD 2008 compared with 32.6% in YTD 2007. Services profitability and company profitability is significantly impacted by utilization, average effective daily rates and headcount.

Gross profit for LMI was 4.6% in YTD 2008 compared to 8.2% in YTD 2007. 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.

Expenses

Sales and marketing expenses increased by 4% in YTD 2008 compared to YTD 2007. The expense increase from YTD 2007 is primarily due to an increase in salary and benefit costs for additional marketing and sales personnel added in 2008 in order to stimulate the growth of orders and revenue. As a percentage of revenues, sales and marketing expenses were 8.2% in YTD 2008, an increase from 6.8% in YTD 2007. In order to stimulate growth, the Company expects to incur increased sales and marketing expenses in 2008.

General and administrative expenses decreased by 24% in YTD 2008 compared to YTD 2007. The decrease from YTD 2007 is related to lower compensation due to lower management headcount and lower incentives due to lower regional contribution. As a percentage of revenues, general and administrative expenses have decreased to 10.4% in YTD 2008 from 11.6% in YTD 2007.

Other expenses consist of the following components:

	Nine months ended	
	September 30, 2008	September 30, 2007
	(unaudited)	(unaudited)
Rent, parking and office	\$ 570,069	\$ 711,370
Business travel & training	549,334	690,530
Telecommunications, technology and insurance	407,963	460,042
Foreign exchange expense	33,323	34,453
Miscellaneous (including bad debt)	116,403	184,705
Total Other Expenses	\$ 1,677,092	\$ 2,081,100

Overall, other expenses decreased by 19% in YTD 2008 compared to YTD 2007. The decrease in other expenses from YTD 2007 consists primarily of lower rent due to relocation in 2007 to smaller offices and lower cost premises as well as other cost saving initiatives. As a percentage of revenues, other expenses decreased to 9.4% in YTD 2008, compared to 10.0% in YTD 2007. Generally, other expenses are relatively fixed in nature and do not vary substantially with incremental revenue changes.

Other

Amortization of capital assets decreased in YTD 2008 compared to YTD 2007. 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 \$115,000 of new assets and amortizing \$249,000 of capital assets in YTD 2008. The Company expects amortization of capital assets to slowly decrease as the net book value of capital assets continues to decrease.

Interest and investment income was \$54,000 in Q3 YTD 2008 compared with \$49,000 in Q3 YTD 2007 due to higher cash and investment balances.

Liquidity and Capital Resources

The Company finished the period ended September 30, 2008 with cash and short-term investments of \$4.7 million compared to \$3.6 million at December 31, 2007. The increase of \$1.1 million in cash and short-term investments in YTD 2008 is primarily due to: cash from operations of \$1.0 million; \$0.2 million increase in cash due to the recent weakening of the Canadian dollar vs. the United States dollar; \$115,000 decrease in cash from the purchase of fixed assets; and \$94,000 decrease in cash from the payments on capital leases. Cash from operations in the quarter and YTD 2008 includes approximately \$0.8 million collected from a customer for LMI of which approximately \$0.8 million is payable by the Company to the supplier of the LMI in November 2008.

At September 30, 2008, 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 September 30, 2008.

Contractual Obligations	Payments due by calendar year ⁽¹⁾						
	Total	2008 ⁽¹⁾	2009	2010	2011	2012	2013
Capital Lease Obligations	\$ 134,840	\$ 32,431	\$ 97,482	\$ 4,927	\$ -	\$ -	\$ -
Operating Leases	\$ 1,567,160	151,337	478,512	373,057	375,075	187,965	1,214
Total Contractual Obligations	\$ 1,702,000	\$ 183,768	\$ 575,994	\$ 377,984	\$ 375,075	\$ 187,965	\$ 1,214

⁽¹⁾ Q4 2008

The Company has no material outstanding commitment for capital expenditures. In general, the Company does not incur significant 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.

On March 28, 2007, the Company signed a definitive agreement with Silicon Valley Bank to provide the Company with a two year line of credit of up to US\$5,000,000 ("Line of Credit"). 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 a rate of prime plus 1% to prime plus 2% depending on certain covenants. Borrowings are secured by essentially all assets of the Company. As of September 30, 2008, the Company had not borrowed against the line of credit for working capital requirements, but had used the facility to provide a letter of credit to a landlord in the amount of \$84,110.

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 at October 31, 2008, there are 72,660,220 common shares issued and outstanding and 7,763,309 options outstanding at exercise prices ranging from \$ 0.075 to \$ 0.295 with remaining weighted average contractual lives of 2.59 years.

Risk Factors and Risk Management

We believe our strategy of creating value through maintaining and enhancing our leadership in three areas: Enterprise Content Management (ECM); Collaboration and Service Management, for our clients 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 Business
- Competition
- Relative size of the Company compared to larger competitors
- International Operations
- Reliance on Customers; Capital Spending
- Reliance on Third-Party Vendors (Partnerships)
- Limited Intellectual Property Protection
- Failure to Meet Performance Criteria
- Share Price Volatility
- Foreign Exchange Exposure
- Fixed Prices and Fixed Timetables
- Financial Performance
- General Economic Conditions

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 related party transaction during the current quarter.

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 2007 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 contracts or 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 sale of third-party software licenses and maintenance, 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 maintenance sales can impact reported revenue significantly, although due to the low gross profit on these sales it is a less significant impact on net income. Where the Company acts solely as an agent in a license or maintenance sale, net revenue is recorded.

Where the Company acts as principal in the sale of third party support and maintenance services under negotiated supply contracts, exercises pricing control and bears the risk of loss, collection and returns, maintenance revenue is recognized on a gross basis. Where the Company does not act as a principal, revenue is recorded on a net basis. Where the Company is the primary obligor, revenue is recognized ratably over the term of the agreement, generally one year. Where the Company is not the primary obligor, revenue is recognized upon execution of the agreement and the start of the support period.

The Company recognizes 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 September 30, 2008 and December 31, 2007, our average days-sales-outstanding for accounts was 56 days and 60 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 September 30, 2008 and December 31, 2007, \$98,000 and 123,000 respectively, was provided for doubtful accounts and unbilled receivables.

Outlook

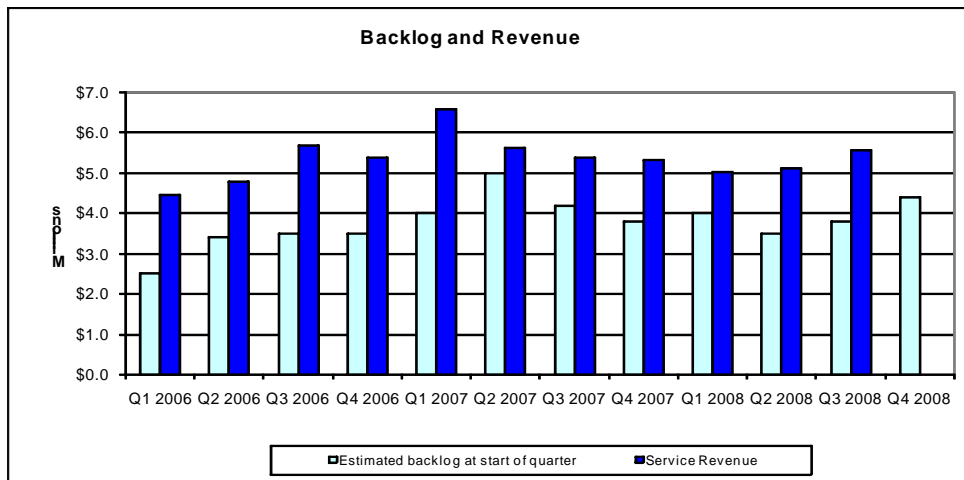
Similar to many companies in this industry sector and of similar size, the Company does not provide guidance on revenue or earnings for future periods. However, there is some information which is historically based that investors may want to consider about the Company.

Backlog

The Company entered Q4 2008 with \$8.0 million (Q3 2008 – 7.5 million and Q4 2007 – \$6.6 million) in services backlog, of which \$4.4 million (Q3 2008 - \$3.8 million and Q4 2007 - \$3.8 million) is scheduled to be completed in the fourth quarter of 2008. 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.

Backlog vs. Services Revenue

The following graph shows the historical backlog scheduled to be delivered during a quarter compared with the actual revenue recognized in the quarter. This relationship is not consistent as it is influenced by factors such as opportunities that are being pursued by our account executives, the availability or bench of consultants available to start a new project, the client's internal timing and budget constraints, the seasonality of client decision making and other factors.



Other considerations

As discussed elsewhere, the Company has increased its marketing personnel, sales force and marketing programs, incurring additional costs compared to previous periods. The impact of these increased costs are expected to be offset by increased revenue, but the timing of the expense and revenues may not match in any given quarter.

The Company's clients are Global 2000 companies which are impacted by general economic factors, however, a number of these are in the life sciences, biotechnology and healthcare industries, which we believe are slightly less impacted by macro economic events. However, the events of the last few months, in particular the credit crisis in Canada and the United States, may impact the timing of investment in our practice areas by our clients which would impact our future results.

The Company closely manages its workforce, including the use of subcontractors, to match our costs as closely as possible to our revenue opportunities. Utilization, which is the metric of our effectiveness, has been improving over the past several years and is close to its optimum level. We manage our workforce through a combination of employees and subcontractors. Our objective is to have between 15% and 25% of our workforce as subcontractors to increase our flexibility to meet changes in short term demand.

International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to International Financial Reporting Standards ("IFRS") from generally accepted accounting principles ("GAAP") will be required for publically traded corporations for interim and annual financial statements effective fiscal years beginning on January 1, 2011 with comparative data also reported under IFRS. Management is currently assessing the impact of adopting IFRS and it has not yet determined its affect on the Company's financial statements.

Notice to Reader

The accompanying unaudited interim consolidated statements of Burnsand Inc. for the period ended September 30, 2008 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 Burnsand Inc.'s external auditors.

(s) Martin L. Glover

Martin L. Glover
President and Chief Executive Officer

(s) Stephen W. Massel

Stephen W. Massel
Chief Financial Officer

BURNTSAND INC.
Consolidated Balance Sheets

	September 30, 2008	December 31, 2007
	(unaudited)	
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 4,697,223	\$ 3,643,932
Accounts receivable	4,097,030	3,781,308
Prepaid expenses	332,418	192,530
	9,126,671	7,617,770
Capital assets	888,249	1,172,430
Goodwill	155,144	144,517
	\$ 10,170,064	\$ 8,934,717
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 2,631,014	\$ 2,068,648
Deferred revenue	1,269,080	706,250
Current portion of obligations under capital leases	115,274	127,298
	4,015,368	2,902,196
Long-term portion of deferred revenue	-	59,820
Long-term portion of obligations under capital leases	19,566	101,173
	4,034,934	3,063,189
SHAREHOLDERS' EQUITY		
Common shares	9,611,454	9,602,855
Contributed surplus	1,282,454	1,159,680
Deficit	(2,257,181)	(2,022,371)
Accumulated other comprehensive loss	(2,501,597)	(2,868,636)
	6,135,130	5,871,528
	\$ 10,170,064	\$ 8,934,717

See accompanying Notes to the Consolidated Financial Statements

BURNTSAND INC.
Consolidated Statements of Operations

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE				
Services	\$ 5,576,956	\$ 5,372,103	\$ 15,736,434	\$ 17,564,877
License and maintenance	845,259	1,053,982	1,432,195	2,515,720
Other revenue	254,042	263,835	676,592	764,087
	6,676,257	6,689,920	17,845,221	20,844,684
COSTS				
Cost of services	3,652,635	3,482,554	10,829,516	11,843,770
Cost of license and maintenance	813,969	973,084	1,366,443	2,309,587
Cost of other revenue	237,915	243,009	628,106	711,333
	4,704,519	4,698,647	12,824,065	14,864,690
GROSS PROFIT	1,971,738	1,991,273	5,021,156	5,979,994
EXPENSES				
Sales and marketing	498,253	345,024	1,468,231	1,410,745
General and administrative	599,045	660,854	1,849,133	2,420,020
Other expenses	569,236	594,479	1,677,092	2,081,100
	1,666,534	1,600,357	4,994,456	5,911,865
Earning before amortization, interest and income taxes	305,204	390,916	26,700	68,129
Amortization of capital assets	(78,554)	(105,493)	(249,097)	(340,336)
Interest and investment income	13,908	8,066	54,477	48,833
Interest expense and financing costs	(10,260)	(16,263)	(28,216)	(69,633)
Income taxes	(13,477)		(38,674)	(37,100)
NET INCOME/(LOSS) FOR THE PERIOD	\$ 216,821	\$ 277,226	(234,810)	(330,107)
Net income (loss) basic and diluted, per share	\$ 0.00	\$ 0.00	\$ (0.00)	\$ (0.00)
Weighted average number of common shares used to calculate per share amounts, basic and diluted	72,660,220	72,528,046	72,622,264	72,514,266

See accompanying Notes to the Consolidated Financial Statements

BURNTSAND INC.
Consolidated Statement of Deficit

	Three months ended September 30,		Nine months ended September 30,	
	2008 (unaudited)	2007 (unaudited)	2008 (unaudited)	2007 (unaudited)
DEFICIT, BEGINNING OF PERIOD	(2,474,002)	(2,635,708)	(2,022,371)	(2,028,375)
Net income (loss) for the period	216,821	277,226	(234,810)	(330,107)
DEFICIT, END OF PERIOD	\$ (2,257,181)	\$ (2,358,482)	(2,257,181)	(2,358,482)

BURNTSAND INC.
Consolidated Statement of Comprehensive Income

	Three months ended September 30,		Nine months ended September 30,	
	2008 (unaudited)	2007 (unaudited)	2008 (unaudited)	2007 (unaudited)
NET INCOME / (LOSS) FOR THE PERIOD	216,821	277,226	(234,810)	(330,107)
Other comprehensive income, net of tax				
Unrealized gains and losses on translating financial statements of self-sustaining foreign operations	226,538	(291,398)	367,039	(673,390)
OTHER COMPREHENSIVE INCOME	226,538	(291,398)	367,039	(673,390)
COMPREHENSIVE INCOME	\$ 443,359	\$ (14,172)	132,229	(1,003,497)

See accompanying Notes to the Consolidated Financial Statements

BURNTSAND INC.
Consolidated Statements of Cash Flows

	Three months ended September 30,		Nine months ended September 30,	
	2008 (unaudited)	2007 (unaudited)	2008 (unaudited)	2007 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss) for the period	216,821	277,226	(234,810)	(330,107)
Items not affecting cash:				
Amortization of capital assets and intangibles	78,554	105,493	249,097	340,336
Amortization of assets used in outsourcing contract	44,260	44,260	132,780	132,780
Stock-based compensation	44,949	22,930	126,374	74,961
	384,584	449,909	273,441	217,970
Changes in operating assets and liabilities:				
Accounts receivable	(55,412)	(50,292)	(129,029)	(1,165,949)
Prepaid expenses	(58,946)	(62,041)	(128,102)	115,015
Accounts payable and accrued liabilities	752,460	245,335	528,112	544,810
Deferred revenue	586,676	268,275	484,819	(71,906)
	1,609,362	851,186	1,029,241	(360,060)
CASH FLOWS FROM INVESTING ACTIVITIES				
Short term investments	-	-	-	2,696,558
Purchase of capital assets, net of related accounts payable	(10,300)	(18,583)	(115,400)	(137,385)
	(10,300)	(18,583)	(115,400)	2,559,173
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on capital lease obligations	(31,645)	(30,971)	(94,324)	(88,238)
Issue of common shares	-	3,900	5,000	5,463
	(31,645)	(27,071)	(89,324)	(82,775)
NET CASH INFLOW	1,567,417	805,532	824,517	2,116,338
EFFECT OF FOREIGN EXCHANGE RATE				
CHANGES ON CASH	134,471	(135,117)	228,774	(212,447)
CASH (EXCLUDING SHORT TERM				
INVESTMENTS), BEGINNING OF PERIOD	2,995,335	2,401,800	3,643,932	1,168,324
CASH (EXCLUDING SHORT TERM				
INVESTMENTS), END OF PERIOD	4,697,223	3,072,215	4,697,223	3,072,215

See accompanying Notes to the Consolidated Financial Statements

BURNTSAND INC.

Notes to the Consolidated Financial Statements (unaudited)

September 30, 2008 and 2007

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. 2007 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 of September 30, 2008 and the results of operations and cash flows for the three and nine month periods ended September 30, 2008 and 2007.

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, 2007.

2. CHANGES IN ACCOUNTING POLICIES

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Section 1535), Financial Instruments – Disclosures (Section 3862) and Financial Instruments - Presentation (Section 3863). These new standards became effective for the Company on January 1, 2008.

Capital Disclosures

CICA Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the new Handbook section in note 9 to these interim financial statements.

Financial Instruments

CICA Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in note 10 and note 11 to these interim financial statements.

BURNTSAND INC.

Notes to the Consolidated Financial Statements (unaudited)

September 30, 2008 and 2007

International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board (“AcSB”) confirmed the changeover to International Financial Reporting Standards (“IFRS”) from GAAP will be required for publically traded corporations for interim and annual financial statements effective fiscal years beginning on January 1, 2011 with comparative data also reported under IFRS. Management is currently assessing the impact of adopting IFRS and it has not yet determined its affect on the Company’s financial statements.

3. ACCOUNTS RECEIVABLE

	September 30, 2008	December 31, 2007
Accounts receivable	\$ 3,538,679	\$ 3,450,335
Unbilled receivables	\$ 656,094	\$ 454,132
Provision for doubtful accounts and unbilled receivables	\$ (97,743)	\$ (123,159)
	<u>\$ 4,097,030</u>	<u>\$ 3,781,308</u>

4. SHARE CAPITAL

As at September 30, 2008, there were 72,660,220 (December 31, 2007 – 72,593,554) common shares issued and outstanding and 7,846,393 (December 31, 2007 – 9,864,831) options issued and outstanding at exercise prices ranging from \$0.075 to \$0.295 with remaining weighted-average contractual lives of 2.66 years.

5. 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 no options granted for the three months and 577,250 options granted for the nine months ended September 30, 2008 (2007 – nil and 565,750 respectively). The “fair value” of each option granted was estimated on the date of the grant using the Black-Scholes.

For the quarter ended September 30, 2008, an expense of \$44,949 (2007 – \$22,930) has been recorded for stock based compensation, allocated as follows:

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Cost of services	\$ 6,672	\$ 4,451	\$ 24,631	\$ 25,984
Sales and marketing expense	\$ 2,900	\$ 629	\$ 8,957	\$ 1,868
General and administrative expense	\$ 35,377	\$ 17,850	\$ 92,786	\$ 47,109
Total stock based compensation	<u>\$ 44,949</u>	<u>\$ 22,930</u>	<u>\$ 126,374</u>	<u>\$ 74,961</u>

BURNTSAND INC.

Notes to the Consolidated Financial Statements (unaudited)

September 30, 2008 and 2007

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2008	2007	2008	2007
Cash payments for interest and financing costs	\$ 10,260	\$ 16,263	\$ 28,216	\$ 69,633
Cash receipts for interest	\$ 12,603	\$ 8,066	\$ 58,750	\$ 93,498
Cash payments for taxes	\$ 11,052	\$ 423	\$ 34,607	\$ 3,168
Purchase of capital assets in accounts payable	\$ -	\$ 21,096	\$ -	\$ 21,096

7. RELATED PARTY TRANSACTIONS

There were no related party transactions for the three or nine month periods ended September 30, 2008 or September 30, 2007.

8. 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 up to \$2,660,500 (US\$2,500,000). This limit may be increased by the Company to a maximum of \$5,321,000 (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 three and nine month periods ended September 30, 2008.

(b) *Letters of Credit*

As at September 30, 2008 the Company has provided a stand-by letter of credit of \$84,110 (December 31, 2007 - \$78,349) to a landlord.

9. CAPITAL MANAGEMENT

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, purchase and cancel shares previously issued, return capital to shareholders or sell assets to reduce debt. The Company considers the items included in the consolidated statement of shareholders' equity and the amount of borrowings under the terms of its credit facilities with Silicon Valley Bank ("SVB") as capital.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders.

BURNTSAND INC.

Notes to the Consolidated Financial Statements (unaudited)

September 30, 2008 and 2007

The Company is not subject to any statutory capital requirements and has no commitments, other than options, to sell or otherwise issue common shares. Under the terms of its credit facilities SVB, the Company is required to maintain a minimum liquidity (unrestricted cash at SVB plus accounts receivable availability) of greater than US\$1,500,000. In addition, the Company is required to maintain minimum earnings before taxes, depreciation and amortization ("EBTDA") as follows: for the three month period ending September 30, 2008, EBTDA loss of less than (\$300,000); and, for the three month period ending December 31, 2008 and each calendar quarter thereafter, EBTDA loss of less than (\$200,000). As at September 30, 2008 the Company is in compliance with these covenants.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2008 compared to the year ended December 31, 2007.

10. FINANCIAL INSTRUMENTS

Under CICA Section 3862 Financial Instruments – Disclosures, the Company is required to provide disclosures regarding its financial instruments. Financial instruments are either measured at amortized cost or fair value. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost. Held for trading financial assets and liabilities and available-for-sale financial assets are measured on the balance sheet at fair value.

The following table provides the carrying value of each category of financial assets and liabilities and the related balance sheet item:

	September 30, 2008	December 31, 2007
Financial assets:		
Held for trading financial assets:		
Cash and cash equivalents	\$ 4,697,223	\$ 3,643,932
Loans and receivables		
Receivables	\$ 4,097,030	3,781,308
	\$ 8,794,253	\$ 7,425,240
Financial liabilities:		
Other financial liabilities		
Accounts payable and accrued liabilities	\$ 2,631,014	\$ 2,068,648
Capital lease obligation	\$ 134,840	228,471
	\$ 2,765,854	\$ 2,297,119

11. FINANCIAL RISK MANAGEMENT

The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls and sound business practices. The Company does not purchase any derivative financial instruments.

BURNTSAND INC.

Notes to the Consolidated Financial Statements (unaudited)

September 30, 2008 and 2007

Risk management is primarily the responsibility of the Company's corporate finance function. Significant risks are regularly monitored and actions are taken, when appropriate, according to the Company's approved policies, established for that purpose. In addition, as required, these risks are reviewed with the Company's Board of Directors.

Foreign Exchange Risk

The Company operates primarily in Canada and the United States. The functional currency of the parent company is CDN dollars and the reporting currency is CDN dollars. All operations in the United States operate with the U.S. dollar as the functional currency. Approximately two-thirds of the Company's business is conducted in U.S. dollars. Consequently, the Company records foreign currency differences on its U.S. operations as part of Comprehensive Other Income.

A 10% weakening in the Canadian dollar against the United States dollar as at September 30, 2008 would have increased other comprehensive income by approximately \$550,000 (a 10% strengthening would have had the equal but opposite effect). This analysis assumes that all other variables remain constant.

Interest Rate Risk

The Company has cash balances, capital leases and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade (short-term deposit certificates) issued by Canadian and U.S. banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Credit Risk

Credit risk arises from cash held with banks, as well as credit exposure to customers, including outstanding accounts receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The objective of managing counter-party credit risk is to prevent losses on financial assets. The Company assesses the credit quality of counter-parties, taking into account their financial position, past experience and other factors. Management regularly monitors customer credit limits, and performs credit reviews.

The Company's exposure to individual customers is limited and the ten largest customers as at September 30, 2008, on aggregate, accounted for 49% of the Company's total accounts receivable balance.

The carrying amount of accounts receivable are reduced through the use of an allowance account and the amount of the loss is recognized in the earnings statement within other expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off are credited against in the statement of operations.

BURNTSAND INC.

Notes to the Consolidated Financial Statements (unaudited)

September 30, 2008 and 2007

The following table outlines the details of the aging of the Company's receivables and related allowance for doubtful accounts:

	September 30, 2008	December 31, 2007
Current	\$ 2,897,303	\$ 1,801,720
Unbilled receivables, net	593,329	378,553
Other miscellaneous receivables	72,835	111,436
	<u>\$ 3,563,467</u>	<u>\$ 2,291,709</u>
Past due 30 days		
1-60 days	\$ 299,622	\$ 1,446,191
Greater than 60 days	268,919	90,988
Less: allowances	<u>(34,978)</u>	<u>(47,580)</u>
	<u>\$ 533,563</u>	<u>\$ 1,489,599</u>
Total accounts receivable, net	<u>\$ 4,097,030</u>	<u>\$ 3,781,308</u>

The movement in the allowance for doubtful accounts for the three and nine month periods ended September 30, 2008 and September 30, 2008 balance of the provision for unbilled receivables is as follows:

	Three months ended September 30, 2008	Nine months ended September 30, 2008
Allowance for doubtful accounts		
Balance, Beginning of period	\$ (28,258)	\$ (47,580)
Reduce (increase) provision	(6,720)	12,602
Balance, End of period	<u>\$ (34,978)</u>	<u>\$ (34,978)</u>
Provision for unbilled receivables	<u>(62,765)</u>	<u>(62,765)</u>
Total	<u>\$ (97,743)</u>	<u>\$ (97,743)</u>

Historically trade credit losses have been minimal.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2008, the Company had a cash balance of \$4,697,223 (December 31, 2007 - \$3,643,932), to settle accounts payable and liabilities of \$2,631,014 (December 31, 2007 - \$2,068,648).

BURNTSAND INC.

Notes to the Consolidated Financial Statements (unaudited)

September 30, 2008 and 2007

12. 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 September 30		Nine months ended September 30	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Canada	\$ 2,368,341	\$ 2,603,947	\$ 6,292,356	\$ 7,686,145
United States	\$ 4,307,916	\$ 4,085,973	\$ 11,552,865	\$ 13,158,539
	<u>\$ 6,676,257</u>	<u>\$ 6,689,920</u>	<u>\$ 17,845,221</u>	<u>\$ 20,844,684</u>

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

	September 30,	December 31,
	<u>2008</u>	<u>2007</u>
Canada	\$ 554,191	\$ 803,298
United States	\$ 489,202	\$ 513,649
	<u>\$ 1,043,393</u>	<u>\$ 1,316,947</u>

In the three months ended September 30, 2008, one customer accounted for 14% of revenue (2007 – 3 customers accounted for 39%). As at September 30, 2008, there were no customer accounts receivable balances which represented more than 10% of total accounts receivable.

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
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This quarterly report is also on the Internet at www.burntsand.com and on SEDAR at www.sedar.com

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DIRECTORS

Michael Cardiff⁽¹⁾⁽²⁾

Martin Glover

Tim Duffy

Terry Holland⁽¹⁾⁽²⁾

John Kelly⁽¹⁾⁽²⁾

Jim Yeates

Chief Executive Officer, *Accelerents Inc*

President and Chief Executive Officer, *Burntsand Inc.*

President and Chief Executive Officer, *IWCC Training in Communications*

President and Chief Executive Officer, *Krystal Financial Corporation*

President and Chief Executive Officer, *Clearford Industries*

Chairman, *Burntsand Inc.*

⁽¹⁾ Member of the Audit and Corporate Governance Committee

⁽²⁾ Member of the Compensation Committee

CORPORATE MANAGEMENT AND OFFICERS

Martin Glover

Stephen Massel

Edward Podbelski

Terry Lillico

President and Chief Executive Officer

Chief Financial Officer

Vice President, Consulting Services – USA

Vice President, Consulting Services – Canada

