

## Burntsand Releases Second Quarter Results

**Toronto, ON. August 4, 2005.** Burntsand Inc. (Burntsand) (TSX:BRT) a North American business consulting and technology services company today reported revenue and earnings results for its second quarter ended June 30, 2005.

### Second Quarter Financial Results Highlights In 000's, except per share amounts

	Q2 FY2005	Q1 FY2005	Q2 FY2004
Revenue	\$ 5,094	\$ 5,698	\$ 8,660
Net Loss	\$ (792)	\$ (725)	\$ 146
Net loss per share	\$ (0.01)	\$ (0.01)	\$ 0.00
Cash and equivalents	\$ 5,015	\$ 5,417	\$ 7,861
Working capital	\$ 5,982	\$ 6,626	\$ 9,269

### Results for the Second Quarter ended June 30, 2005

Total revenue for the second quarter was \$5.1 million compared to \$5.7 million for the first quarter of 2005. The Company's top 10 accounts accounted for approximately 55% of revenue; with US operations contributing 51% of the revenues for the quarter. Two customers accounted for 27% of revenue.

Net loss for the second quarter of 2005 was \$0.8 million or (\$0.01) per share, compared with a net loss of \$0.7 million or (\$0.01) per share in the first quarter of 2005.

### Financial Position at June 30, 2005

The Company finished the period ended June 30, 2005 with cash and short-term investments of \$5.0 million compared to \$5.4 million at March 31, 2005. The decrease in cash and short-term investments is due to cash used by operations and changes in working capital balances.

### Selected Metrics

The Company has filed its financial statements and management's discussion and analysis on SEDAR at [www.sedar.com](http://www.sedar.com). This information includes various metrics and performance measurements used by the company.

As always we invite your comments and encourage you to follow the progress of your company on the Burntsand website at [www.burntsand.com](http://www.burntsand.com).

### About Burntsand

Burntsand is a business consulting and technology services company that designs, architects, and implements information technology to deliver business advantage as defined by our delivery of Time-to-Value projects through an unmatched Customer Experience. We focus on Mid-Market clients, including divisions of Global 2000 companies. Burntsand was established in 1996 on the foundation of delivering innovative, cost effective solutions on time and on budget. Based upon this foundation, Burntsand has become a customer-focused, forward-thinking North American leader in the delivery of Enterprise Content Management, Portal, and Service Management Solutions. Headquartered in Toronto, Burntsand operates from locations across North America. The Company's shares (TSX: BRT) are traded on the Toronto Stock Exchange. More information about Burntsand can be found at [www.burntsand.com](http://www.burntsand.com).

## **Forward Looking Statements**

Certain statements contained or made in this press release, including statements which may contain words such as “could”, “expect”, “believe”, “will” and similar expressions and statements relating to matters that are not historical facts are forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties which may cause the actual results, performances or achievements of Burntsand to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such factors 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. The forward-looking statements in this press release are based on management's reasonable beliefs as of the date of this release, and Burntsand assumes no obligation to update them to reflect subsequent information or events.

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**BURNTSAND INC.**  
**Consolidated Balance Sheets**

	<b>June 30, 2005 (unaudited)</b>	December 31, 2004
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 2,076,374	\$ 2,591,026
Short-term investments	2,938,678	3,381,251
Accounts receivable	3,572,728	4,044,183
Prepaid expenses	565,540	719,652
	<b>9,153,320</b>	10,736,112
Capital assets	1,608,929	1,826,797
Goodwill and other intangibles	190,797	215,396
	<b>\$ 10,953,046</b>	<b>\$ 12,778,305</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 2,037,318	\$ 2,090,855
Deferred revenue	764,384	885,594
Current portion of accrued restructuring charge	363,894	494,323
Current portion of obligations under capital leases	6,083	12,030
	<b>3,171,679</b>	3,482,802
Long-term portion of accrued restructuring charge	142,265	312,982
Long-term portion of obligations under capital leases	13,092	16,171
	<b>3,327,036</b>	3,811,955
<b>SHAREHOLDERS' EQUITY</b>		
Common shares	9,603,988	117,880,660
Contributed surplus	834,950	752,872
Deficit	(791,604)	(107,552,025)
Cumulative translation adjustment	(2,021,324)	(2,115,157)
	<b>7,626,010</b>	8,966,350
	<b>\$ 10,953,046</b>	<b>\$ 12,778,305</b>

**BURNTSAND INC.**  
**Consolidated Statements of Operations**

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>REVENUE</b>				
Services	\$ 4,233,883	\$ 6,953,700	\$ 8,957,486	\$ 13,835,693
License, maintenance and network infrastructure	746,653	1,519,203	1,591,107	3,701,361
Other revenue	113,582	187,254	243,978	293,869
	<b>5,094,118</b>	<b>8,660,157</b>	<b>10,792,571</b>	<b>17,830,923</b>
<b>COSTS</b>				
Cost of services	2,938,656	4,699,576	6,313,654	9,480,885
Cost of license, maintenance and network infrastructure	649,397	1,275,542	1,342,281	2,961,340
Cost of other revenue	110,859	100,133	217,357	182,327
	<b>3,698,912</b>	<b>6,075,251</b>	<b>7,873,292</b>	<b>12,624,552</b>
<b>GROSS PROFIT</b>	<b>1,395,206</b>	<b>2,584,906</b>	<b>2,919,279</b>	<b>5,206,371</b>
<b>EXPENSES</b>				
Sales and marketing	465,673	725,429	913,467	1,523,248
General and administrative	799,901	886,864	1,604,411	1,709,414
Other expenses	764,198	1,063,235	1,600,471	2,101,051
	<b>2,029,772</b>	<b>2,675,528</b>	<b>4,118,349</b>	<b>5,333,713</b>
Loss before restructuring, amortization, interest and income taxes	(634,566)	(90,622)	(1,199,070)	(127,342)
Restructuring (recovery) charge	-	463,052	-	463,052
Amortization of capital assets	(159,745)	(229,807)	(326,855)	(506,634)
Amortization of intangibles	(13,468)	(15,480)	(29,006)	(41,067)
Interest and investment income	16,466	23,676	39,393	53,209
Interest expense	(291)	(4,564)	(713)	(6,333)
<b>LOSS BEFORE INCOME TAXES</b>	<b>(791,604)</b>	<b>146,255</b>	<b>(1,516,251)</b>	<b>(165,115)</b>
Income taxes	-	-	-	-
<b>NET LOSS FOR THE PERIOD</b>	<b>\$ (791,604)</b>	<b>\$ 146,255</b>	<b>\$ (1,516,251)</b>	<b>\$ (165,115)</b>
Loss, basic and diluted, per share	\$ (0.01)	\$ 0.00	\$ (0.02)	\$ (0.00)
Weighted average number of common shares used to calculate per share amounts, basic and diluted	72,978,228	72,975,744	72,978,228	72,961,660

**BURNTSAND INC.**  
**Consolidated Statements of Shareholders' Equity**

	Common Shares		Contributed Surplus	Deficit	Cumulative Translation Adjustment	Total Shareholders' Equity Restated (Note 2)
	Number	Amount				
Balance at December 31, 2003	72,942,189	\$ 117,511,227	\$ 819,803	\$ (105,317,263)	\$ (1,792,175)	\$ 11,221,592
Adjustment for change in accounting for stock based compensation	-	-	295,012	(295,012)	-	-
Balance at December 31, 2003 (restated)	72,942,189	\$ 117,511,227	\$ 1,114,815	\$ (105,612,275)	\$ (1,792,175)	\$ 11,221,592
Shares issued on exercise of stock options	36,039	369,433	(368,107)	-	-	1,326
Stock-based compensation	-	-	71,168	-	-	71,168
Cancellation of unvested options	-	-	(144,074)	-	-	(144,074)
Revaluation of share purchase loans	-	-	79,070	(79,070)	-	-
Translation adjustment	-	-	-	-	(322,982)	(322,982)
Net loss for the year	-	-	-	(1,860,680)	-	(1,860,680)
Balance at December 31, 2004	72,978,228	\$ 117,880,660	\$ 752,872	\$ (107,552,025)	\$ (2,115,157)	\$ 8,966,350
Stock-based compensation	-	-	82,078	-	-	82,078
Translation adjustment	-	-	-	-	93,833	93,833
Reduction of stated capital	-	(108,276,672)	-	108,276,672	-	-
Net loss for the period	-	-	-	(1,516,251)	-	(1,516,251)
Balance at June 30, 2005	72,978,228	\$ 9,603,988	\$ 834,950	\$ (791,604)	\$ (2,021,324)	\$ 7,626,010

**BURNTSAND INC.**  
**Consolidated Statements of Cash Flows**

	Three months ended June 30,		Six months ended June 30,	
	2005 (unaudited)	2004 (unaudited)	2005 (unaudited)	2004 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (791,604)	\$ 146,255	\$ (1,516,251)	\$ (165,115)
Items not affecting cash:				
Amortization of capital assets and intangibles	173,213	245,287	355,861	547,701
Non-cash portion of restructuring charges	-	(463,052)	-	(463,052)
Stock-based compensation	48,165	42,993	82,078	(15,544)
	(570,226)	(28,517)	(1,078,312)	(96,010)
Changes in operating assets and liabilities:				
Accounts receivable	856,840	2,046,570	532,408	2,001,044
Prepaid expenses	141,474	354,658	153,887	494,503
Accounts payable and accrued liabilities	(384,102)	(1,391,465)	(72,225)	(898,388)
Deferred revenue	(275,929)	(499,977)	(124,831)	(342,127)
Accrued restructuring charge	(157,649)	(822,036)	(314,580)	(2,481,160)
	(389,592)	(340,767)	(903,653)	(1,322,138)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Short term investments	(377,969)	(27,041)	442,573	(55,543)
Purchase of capital assets, net of related accounts payable	(36,813)	(128,395)	(92,717)	(261,547)
	(414,782)	(155,436)	349,856	(317,090)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments on capital lease obligations	(4,541)	(10,729)	(9,026)	(100,902)
Issue of common shares	-	74	-	1,326
	(4,541)	(10,655)	(9,026)	(99,576)
<b>NET CASH OUTFLOW</b>	<b>(808,916)</b>	<b>(506,858)</b>	<b>(562,823)</b>	<b>(1,738,804)</b>
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	28,775	58,284	48,171	112,478
<b>CASH (EXCLUDING SHORT TERM INVESTMENTS), BEGINNING OF PERIOD</b>	<b>2,856,514</b>	<b>4,447,366</b>	<b>2,591,026</b>	<b>5,625,118</b>
<b>CASH (EXCLUDING SHORT TERM INVESTMENTS), END OF PERIOD</b>	<b>\$ 2,076,374</b>	<b>\$ 3,998,792</b>	<b>\$ 2,076,374</b>	<b>\$ 3,998,792</b>