

Burntsand News Release

Burntsand Releases Fourth Quarter FY2002 Results

Positive Outlook for FY2003 as Transition to New Business Model Nears Completion

Toronto ON & San Jose CA February 26, 2003. Burntsand Inc. (Burntsand) (TSE:BRT) a North American eBusiness solutions integrator today reported revenue and earnings results for its fourth quarter ended December 31st, 2002.

Revenue for the fourth quarter was \$10.8 million a 33% decrease in revenue from the \$16.2 million reported for the same period in fiscal 2001 and a sequential decrease of 5% from the \$11.4 million reported in the previous quarter. For the quarter, EBITDA⁽¹⁾ was (\$3.7) million, which is consistent with the results for Q4, fiscal year 2001 and a sequential increase from the (\$6.2) million reported in the previous quarter. For the quarter the net loss was (\$2.5) million or (\$0.03) per share, an improvement when compared to a net loss of (\$6.8) million or (\$0.11) per share for the same period in 2001 and a sequential improvement from the net loss of (\$51.2) million or (\$0.71) per share reported in the previous quarter. The net loss in the comparable period in 2001 included amortization of goodwill of \$3.4 million or (\$0.05) per share. Burntsand continues to maintain a strong balance sheet with cash and short-term investments in excess of \$19 million.

For the full fiscal year ending December 31, 2002, revenues reached \$57.2 million, a decrease from the \$81.4 million reported in the previous fiscal year. EBITDA was (\$17.1) million, a decrease compared to the \$2.6 million for fiscal year 2001. Net loss was (\$72.7) million or (\$1.03) per share, a decrease when compared with (\$16.6) million or (\$0.26) per share for fiscal year 2001. The net loss in the comparable period in 2001 included amortization of goodwill of \$13.9 million or (\$0.22) per share. Fiscal year 2002 earnings were impacted by \$51.5 million in restructuring charges, of which approximately \$37.3 million were non-cash charges primarily for impairment of goodwill.

"2002 was a very challenging year within the North American information technology services sector and a year of restructuring, refocus, and rededication for Burntsand," stated Burntsand chairman Jim Yeates. "During the year we integrated a new leadership team into the company and restructured our size and operating model to be in lock step with our clients' business realities. Burntsand's direct costs (cost of services and operating expenses, excluding the cost of licenses, infrastructure, maintenance and other revenues) have been reduced from \$18.2 million in Q1 2002 to \$12.2 million in Q4 2002 with a further sequential quarterly reduction of up to ten percent anticipated in Q1 2003. These significant reductions ensure our ability to execute successfully in these challenging times. Burntsand's ability to readily take advantage of increased market demand when it returns has been maintained throughout these reductions, creating a strategically strong position. These changes impact every aspect of our company and I would like to thank all our employees for their support and dedication during this time of change and transition."

"My first order of business upon joining Burntsand in October was a situational assessment, the development of our new strategic business plan, and the completion of our cost restructuring initiative", commented Burntsand President and CEO Mel Steinke. "Having personally visited every Burntsand location during our fourth quarter, I can say with confidence that I am very pleased with the strength of Burntsand's relationships with our clients and key industry partners and the level of skill and professionalism of our employees. This is a solid foundation for Burntsand's success in FY 2003".

The new Burntsand business model will amplify Burntsand's current strategic market positioning through the creation of focused service lines and corporate centers of expertise. Building on current capabilities, the new model should create an opportunity to leverage and replicate local successes across Burntsand's North American client base.

Steinke went on to comment: "With our cost restructuring now completed, we have turned a fundamental corner and look forward to a more positive FY2003 for Burntsand assuming no major change in the North American economy or the global geo-political environment. The opportunities ahead of us with our new business model, combined with a strong balance sheet, a focus on high value business solutions and services, and a strategic dedication to be the mid-sized solutions integrator of choice for North American organizations, positions Burntsand to see a return to positive operational cash flow and operating profitability during FY2003."

Earnings Conference

Date: Wednesday February 26th 2003

Start Time: 12:00 p.m. East (9 a.m. Pacific)

Voice: Within the U.S.A. or Canada: 1- 800-440-1782 Local 416 & 905: 416-641-6677

Data: To access the presentation portion of the conference:

- Point your internet browser to www.burntsand.com/news_events/etheater.asp
- Click on "Login Here"
- Enter the Moderator Meeting Number: 0363249
- Click on "Join Live Meeting"
- Click on "Join As An Attendee" No password is necessary.
- Enter your name
- A new browser window will open. The presentation will now load. This may take a moment. When the blue bars have moved all the way to the right (100%) the conference will automatically begin

A downloadable presentation will be posted to the Investor Relations - Corporate Events region of the Burntsand web site approximately one hour before the beginning of the conference call. The conference call will be available for replay from the Investor Relations region of the Burntsand website or at 1-800-558-5253 access code 21125359 or 416-626-4100 access code 21125359 until end of day Wednesday March 5th.

About Burntsand

Burntsand is an eBusiness Solutions Integrator focusing on business solutions that deliver enhanced productivity. Burntsand's success results from its ability to rapidly create company-wide integrated business solutions for clients in the areas of Portals, Relationship Management, Content Management, Business Intelligence and Knowledge Management. These solutions integrate into the client's enterprise architecture. Burntsand's extensive cross-industry experience in the integration of eBusiness solutions augments vertical expertise in government and the financial services, energy, manufacturing, distribution, and pharmaceutical industries. Headquartered in Toronto, Burntsand operates from eight North American locations. The company trades on the Toronto stock exchange (TSX) under the symbol BRT, Burntsand's website address is www.burntsand.com

(1) EBITDA

EBITDA is defined as operating revenues less operating expenses and therefore reflects earnings before interest, taxes depreciation and amortization, as well as any restructuring charges and impairment for goodwill. Burntsand uses EBITDA, amongst other measures, to assess the operating performance of its on-going businesses. The term EBITDA does not have a standardized meaning prescribed by Canadian generally accepted accounting principles and therefore may not be comparable to similarly titled measures presented by other companies. EBITDA should not be construed as the equivalent of net cashflows from operating activities.

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 and 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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Financial Statements

BURNTSAND INC. Consolidated Balance Sheets

	December 31, 2002 (unaudited)	December 31, 2001
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 5,264,293	\$ 6,077,819
Short-term investments	13,809,035	24,061,468
Accounts receivable	10,675,743	17,283,915
Unbilled receivables	897,889	4,486,049
Income taxes receivable	2,409,510	3,339,297
Prepaid expenses	1,829,569	1,606,857
Current portion of future income taxes	-	489,200
	34,886,039	57,344,605
Capital assets	3,635,614	7,344,552
Deferred acquisition costs	-	2,353,862
Goodwill and other intangibles	958,188	22,652,959
Future income taxes	-	2,690,420
	\$ 39,479,841	\$ 92,386,398
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 6,439,949	\$ 7,338,235
Deferred revenue	1,916,084	1,184,112
Note payable	395,000	-
Current portion of accrued restructuring charge	4,920,933	1,205,025
Current portion of obligations under capital leases	1,035,628	178,377
	14,707,594	9,905,749
Long-term portion of accrued restructuring charge	3,701,008	-
Long-term portion of capital leases	131,895	514,560
Future income taxes	-	1,038,522
	18,540,497	11,458,831
SHAREHOLDERS' EQUITY		
Common shares	116,921,963	101,722,306
Other equity	1,246,981	722,460
Deficit	(96,970,406)	(22,522,886)
Cumulative translation adjustment	(259,194)	1,005,687
	20,939,344	80,927,567
	\$ 39,479,841	\$ 92,386,398

BURNTSAND INC.
Consolidated Statements of Operations

	Three months ended December 31,		Year ended December 31,	
	2002	2001	2002	2001
	(unaudited)		(unaudited)	
REVENUE				
Services	\$ 8,566,185	\$ 13,886,517	\$ 48,437,789	\$ 66,816,834
Licenses	1,448,760	1,608,362	6,618,105	9,943,951
Network infrastructure	505,422	134,815	1,022,331	2,797,026
Other revenue	302,990	603,340	1,148,322	1,853,047
	10,823,357	16,233,034	57,226,547	81,410,858
COSTS AND EXPENSES				
Cost of services	6,859,467	9,967,650	38,806,040	42,192,120
Cost of licenses	1,348,987	1,147,740	5,096,126	7,482,862
Cost of network infrastructure	372,319	135,211	818,641	2,424,845
Cost of other revenue	355,231	600,516	1,167,106	1,818,186
Sales and marketing	1,138,785	2,253,581	8,019,599	8,517,762
General and administrative	1,901,692	2,128,042	7,995,620	7,391,012
Other expenses	2,506,007	3,730,867	12,434,507	8,991,298
	14,482,488	19,963,607	74,337,639	78,818,085
(Loss) income before restructuring charge, goodwill impairment, amortization, interest and income taxes	(3,659,131)	(3,730,573)	(17,111,092)	2,592,773
Restructuring charge	-	(1,200,000)	(19,753,516)	(4,455,567)
Impairment of goodwill	281,795	-	(31,728,053)	-
Amortization of capital assets	(402,320)	(756,456)	(2,644,037)	(2,970,591)
Amortization of other intangibles	(77,150)	(94,714)	(545,409)	(553,392)
Interest and investment income	223,189	388,232	646,081	1,530,185
Interest expense	(60,514)	(129,819)	(334,524)	(248,863)
(LOSS) INCOME BEFORE INCOME TAXES AND AMORTIZATION OF GOODWILL	(3,694,131)	(5,523,330)	(71,470,550)	(4,105,455)
Income taxes	1,171,970	2,171,510	(1,209,528)	1,395,646
NET (LOSS) INCOME BEFORE AMORTIZATION OF GOODWILL	(2,522,161)	(3,351,820)	(72,680,078)	(2,709,809)
Amortization of goodwill	-	(3,398,471)	-	(13,880,144)
NET (LOSS) INCOME FOR THE PERIOD	\$ (2,522,161)	\$ (6,750,291)	\$(72,680,078)	\$(16,589,953)
(Loss) per share:				
(Loss), basic and fully diluted, per share before goodwill amortization	\$ (0.03)	\$ (0.05)	\$ (1.03)	\$ (0.04)
(Loss), basic and fully diluted, per share	\$ (0.03)	\$ (0.11)	\$ (1.03)	\$ (0.26)
Weighted average number of common shares used to calculate per share amounts, basic and fully diluted	72,230,518	64,125,352	70,635,170	63,921,499

BURNTSAND INC.
Consolidated Statement of Shareholders' Equity

	Common Shares		Other Equity	Deficit	Cumulative Translation Adjustment	Total Shareholders' Equity
	Number	Amount				
Balance at December 31, 2000	64,677,043	100,900,417	3,262,884	(5,932,933)	(32,790)	98,197,578
Shares issued on exercise of stock options	783,446	821,889	(255,024)	-	-	566,865
Share purchase loans receivable	-	-	(2,000,000)	-	-	(2,000,000)
Cancellation of unvested options	-	-	(285,400)	-	-	(285,400)
Translation adjustment	-	-	-	-	1,038,477	1,038,477
Net loss for the year	-	-	-	(16,589,953)	-	(16,589,953)
Balance at December 31, 2001	65,460,489	\$ 101,722,306	\$ 722,460	\$ (22,522,886)	\$ 1,005,687	\$ 80,927,567
Shares issued for cash (net of issue costs \$1,202,400 and future income tax recovery of \$480,960)	6,400,000	14,318,560	-	-	-	14,318,560
Shares issued for cash (net of issue costs \$8,828)	550,000	156,172	-	-	-	156,172
Shares issued on exercise of stock options	564,177	1,114,504	(607,996)	-	-	506,508
Cancellation of shares purchased	(278,000)	(389,579)	-	-	-	(389,579)
Revaluation of share purchase loans	-	-	1,767,442	(1,767,442)	-	-
Cancellation of unvested options	-	-	(634,925)	-	-	(634,925)
Translation adjustment	-	-	-	-	(1,264,881)	(1,264,881)
Net loss for the year	-	-	-	(72,680,078)	-	(72,680,078)
Balance at December 31, 2002	72,696,666	\$ 116,921,963	\$ 1,246,981	\$ (96,970,406)	\$ (259,194)	\$ 20,939,344

BURNTSAND INC.
Consolidated Statements of Cash Flows

	Three months ended December 31,		Year ended December 31,	
	2002 (unaudited)	2001	2002 (unaudited)	2001
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss) for the period	\$ (2,522,161)	\$ (6,750,291)	\$(72,680,078)	\$(16,589,953)
Items not affecting cash:				
Amortization of capital assets, goodwill and other intangibles	479,470	4,249,641	3,189,446	17,404,127
Impairment of goodwill	(281,795)	-	31,728,053	-
Restructuring charge	213,691	(975,000)	5,578,152	538,433
Future income tax (recovery) expense	-	(1,319,388)	2,612,725	(1,303,384)
Changes in operating assets and liabilities:				
Accounts receivable	2,170,491	2,741,596	7,202,160	4,540,566
Income taxes receivable	(1,106,881)	(3,339,297)	942,351	(3,339,297)
Unbilled receivables	1,103,367	3,485,113	3,565,257	(1,853,407)
Prepaid expenses	(525,165)	159,408	(103,719)	(700,357)
Accounts payable and accrued liabilities	(60,259)	(930,921)	(1,772,622)	(4,992,025)
Deferred revenue	966,755	20,375	733,232	132,088
Accrued restructuring charge	(2,052,130)	(288,660)	7,416,916	-
	(1,614,617)	(2,947,424)	(11,588,127)	(6,163,209)
CASH FLOWS FROM INVESTING ACTIVITIES				
Deferred acquisition costs, net of related accounts payable	-	(1,827,158)	-	(1,827,158)
Short term investments	2,106,887	9,536,367	10,252,433	15,952,761
Purchase of capital assets, net of related accounts payable	(47,838)	(344,208)	(1,123,884)	(3,696,453)
Acquisition of Primix, net of bank indebtedness acquired of \$554,642	(169,104)	-	(11,146,109)	-
	1,889,945	7,365,001	(2,017,560)	10,429,150
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on capital lease obligations	(277,741)	(99,167)	(1,216,754)	(350,593)
Issue of common shares	157,206	16,603	14,500,280	566,865
Purchase of shares for cancellation	-	-	(389,579)	-
Advances for share purchase loans	-	-	-	(2,000,000)
	(120,535)	(82,564)	12,893,947	(1,783,728)
NET CASH INFLOW (OUTFLOW)	154,793	4,335,013	(711,740)	2,482,213
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	100,500	1,140,236	(101,786)	134,717
CASH (EXCLUDING SHORT TERM INVESTMENTS), BEGINNING OF PERIOD	5,009,000	602,570	6,077,819	3,460,889
CASH (EXCLUDING SHORT TERM INVESTMENTS), END OF PERIOD	\$ 5,264,293	\$ 6,077,819	\$ 5,264,293	\$ 6,077,819