

## Burntsand Releases Fourth Quarter and FY2004 Results

**Toronto, ON. March 11, 2004.** Burntsand Inc. (Burntsand) (TSX:BRT) a North American business consulting and technology services company today reported revenue and earnings results for its fourth quarter and year ended December 31, 2004.

“The results of 2004 represented significant progress for the company over the results 2003. The reduction in losses, the effective management of the balance sheet, the focus on a narrower set of partners, technology and geography plus the positive satisfaction of our clients was a result of the efforts of the entire Burntsand team”, stated Jim Yeates, Burntsand Chairman and CEO. “The steps that have been made in 2004 enable the company to continue its repositioning into 2005 and beyond. Our strategy is to drive success – for clients, for employees and for shareholders.”

### Fourth Quarter and Year end Financial Results Highlights In 000's, except per share amounts

	Q4		YTD	
	FY2004	FY2003 <sup>(1)</sup>	FY 2004	FY2003 <sup>(1)</sup>
Revenue	\$ 6,080	\$ 8,504	\$ 29,324	\$ 37,422
Net Loss	\$ (989)	\$ (3,489)	\$ (1,861)	\$ (8,335)
Net loss per share	\$ (0.01)	\$ (0.05)	\$ (0.03)	\$ (0.11)
Cash and equivalents	\$ 5,972	\$ 9,432	\$ 5,972	\$ 9,432
Working capital	\$ 7,253	\$ 9,702	\$ 7,253	\$ 9,702

### Results for Fourth Quarter ended December 31, 2004

Total revenue for the fourth quarter was \$6.1 million compared to \$5.4 million for the third quarter of 2004 and \$8.5 million for the fourth quarter of 2003<sup>(1)</sup>. The increased revenue in the fourth quarter was caused by a combination of several factors including an increase in the effective average daily rate and utilization. The Company's US operations contributed 56% of the total revenues for the quarter.

Net loss for the fourth quarter 2004 was \$989,254 or (\$0.01) per share, compared with a net loss of \$706,311 or (\$0.01) per share in the third quarter of 2004 and to a net loss of (\$3,489,301) or (\$0.05) per share in the fourth quarter of 2003<sup>(1)</sup>. The third quarter of 2004 had benefited from the recovery of restructuring charges (\$0.3 million), the reduction in allowance for doubtful accounts (\$0.4 million) and the receipt of a previously unrecorded tax refund (\$0.3 million).

### Results for the year ended December 31, 2004

Total revenue for the year was \$29.3 million compared to \$37.4 million for the previous year<sup>(1)</sup>. The decreased revenue in the year was caused by a combination of several factors including a reduction in average headcount during the year, greater focus on key solutions, closing of two offices compared to the previous year, and a stronger Canadian dollar. The Company's US operations contributed 60% of the total revenues for the year, compared to 62% the previous year.

Net loss for the year was \$1.9 million or (\$0.03) per share, compared with a net loss of \$8.3 million or \$0.11 per share in the previous year<sup>(1)</sup>. The net loss for the year included a number of one time recoveries of: previously recorded restructuring charges for real estate (\$0.8 million), adjustments to our allowance for doubtful accounts (\$0.4 million) and a tax refund previously unrecorded (\$0.3 million). The real estate recovery was as a result of subletting some additional space and renegotiating the termination of a lease in our excess facilities. The allowance for doubtful accounts has been

reduced based on our collection experience and our lower outstanding accounts receivable balance. And finally, we received a tax refund for some income taxes previously paid which had not been recorded.

### **Financial Position at December 31, 2004**

Cash on hand and short-term investments at quarter-end totaled \$6.0 million. The liability for the current portion of accrued restructuring charge was \$0.5 million, down from \$3.3 million at December 31, 2003. Total long-term debt (primarily long term accrued restructuring charges) is \$0.3 million, down from \$1.4 million at December 31, 2003. The reduction in the accrued restructuring charges is due to the payment of certain severance liabilities and excess facility liabilities, the termination of some leases and the sublease of excess facilities.

(1) The 2003 financial results have been restated to reflect the retroactive adoption on January 1, 2004 of the new recommendations of the Canadian Institute of Chartered Accountants related to stock-based compensation

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. We deliver business advantage 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 - unaudited**  
**As at December 31**

	2004	2003 Restated <sup>(1)</sup>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 2,591,026	\$ 5,625,118
Short-term investments	3,381,251	3,806,874
Accounts receivable	4,044,183	7,291,585
Income taxes receivable	-	166,416
Prepaid expenses	719,652	1,669,495
	10,736,112	18,559,488
Capital assets	1,826,797	2,485,529
Goodwill and other intangibles	215,396	447,629
	\$ 12,778,305	\$ 21,492,646
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 2,090,855	\$ 3,488,852
Deferred revenue	885,594	1,902,794
Current portion of accrued restructuring charge	494,323	3,352,125
Current portion of obligations under capital leases	12,030	113,174
	3,482,802	8,856,945
Long-term portion of accrued restructuring charge	312,982	1,384,470
Long-term portion of obligations under capital leases	16,171	29,639
	3,811,955	10,271,054
<b>SHAREHOLDERS' EQUITY</b>		
Common shares	117,880,660	117,511,227
Contributed surplus	752,872	1,114,815
Deficit	(107,552,025)	(105,612,275)
Cumulative translation adjustment	(2,115,157)	(1,792,175)
	8,966,350	11,221,592
	\$ 12,778,305	\$ 21,492,646

# BURNTSAND INC.

## Consolidated Statements of Operations - unaudited

	Three months ended December 31,		Twelve months ended December 31,	
	2004	2003	2004	2003 Restated <sup>(1)</sup>
<b>REVENUE</b>				
Services	\$ 5,269,412	\$ 6,481,615	\$ 23,542,439	\$ 29,360,157
License, maintenance and network infrastructure	652,187	1,902,735	5,209,228	7,522,272
Other revenue	157,950	119,216	572,830	539,232
	<u>6,079,549</u>	<u>8,503,566</u>	<u>29,324,497</u>	<u>37,421,661</u>
<b>COSTS</b>				
Cost of services	3,599,515	4,767,697	16,814,320	22,233,584
Cost of license, maintenance and network infrastructure	476,373	1,598,210	4,151,928	6,006,261
Cost of other revenue	155,135	118,255	458,265	477,194
	<u>4,231,023</u>	<u>6,484,162</u>	<u>21,424,513</u>	<u>28,717,039</u>
<b>GROSS PROFIT</b>	<u>1,848,526</u>	<u>2,019,404</u>	<u>7,899,984</u>	<u>8,704,622</u>
<b>EXPENSES</b>				
Sales and marketing	712,565	1,076,885	2,792,750	4,384,534
General and administrative	779,384	1,337,677	3,331,142	5,355,326
Other expenses	1,082,925	1,615,679	3,802,940	5,660,254
	<u>2,574,874</u>	<u>4,030,241</u>	<u>9,926,832</u>	<u>15,400,114</u>
Loss before restructuring, amortization, interest and income taxes	(726,348)	(2,010,837)	(2,026,848)	(6,695,492)
Restructuring charge	-	(1,836,529)	803,808	(1,031,529)
Amortization of capital assets	(266,100)	(224,775)	(984,035)	(1,081,201)
Amortization of intangibles	(15,458)	(32,097)	(73,097)	(316,107)
Interest and investment income	25,146	30,105	101,961	292,124
Interest expense	(400)	(4,489)	(11,796)	(92,292)
<b>LOSS BEFORE INCOME TAXES</b>	<u>(983,159)</u>	<u>(4,078,622)</u>	<u>(2,190,007)</u>	<u>(8,924,497)</u>
Income taxes (Note 11)	(6,095)	589,321	329,327	589,321
<b>NET LOSS FOR THE YEAR</b>	<u>\$ (989,254)</u>	<u>\$ (3,489,301)</u>	<u>\$ (1,860,680)</u>	<u>\$ (8,335,176)</u>
Loss, basic and diluted, per share	\$ (0.01)	\$ (0.05)	\$ (0.03)	\$ (0.11)
Weighted average number of common shares used to calculate				
per share amounts, basic and diluted	72,953,642	72,739,444	72,945,403	72,578,932

**BURNTSAND INC.**  
**Consolidated Statements of Shareholders' Equity - unaudited**  
**Years ended December 31**

	Common Shares		Contributed	Deficit	Cumulative	Total
	Number	Amount	Surplus		Translation	Shareholders'
					Adjustment	Equity
						Restated <sup>(1)</sup>
Balance at January 1, 2003 (as reported)	72,696,666	\$ 116,921,963	\$ 1,246,981	\$ (96,970,406)	\$ (259,194)	\$ 20,939,344
Adjustment for change in accounting for stock based compensation	-	-	269,484	(269,484)	-	-
Balance at January 1, 2003 (restated) <sup>(1)</sup>	72,696,666	\$ 116,921,963	\$ 1,516,465	\$ (97,239,890)	\$ (259,194)	\$ 20,939,344
Shares issued on exercise of stock options	124,107	556,249	(549,221)	-	-	7,028
Cancellation of unvested options	-	-	(263,720)	-	-	(263,720)
Settlement of share purchase loan	(232,558)	(79,070)	116,279	(37,209)	-	-
Shares issued on acquisition of Ambient Information Resource Enterprise, Inc.	353,974	112,085	-	-	-	112,085
Translation adjustment	-	-	-	-	(1,532,981)	(1,532,981)
Net loss for the year	-	-	-	(8,040,164)	-	(8,040,164)
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) <sup>(1)</sup>	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

# BURNTSAND INC.

## Consolidated Statements of Cash Flows - unaudited

	Three months ended December 31,		Twelve months ended December 31,	
	2004	2003	2004	2003 Restated <sup>(1)</sup>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (989,254)	\$ (3,489,301)	\$ (1,860,680)	\$ (8,335,176)
Items not affecting cash:				
Amortization of capital assets and intangibles	281,558	256,872	1,057,132	1,397,308
Non-cash portion of restructuring charges		(222,980)	(803,808)	(1,027,980)
Stock-based compensation	43,188	182,478	71,168	295,012
	(664,508)	(3,272,931)	(1,536,188)	(7,670,836)
Changes in operating assets and liabilities:				
Accounts receivable	149,719	(964,636)	3,052,807	3,110,524
Income taxes receivable	166,416	1,625,153	166,416	1,955,201
Prepaid expenses	204,750	(173,284)	949,689	86,886
Accounts payable and accrued liabilities	301,719	(114,174)	(1,343,679)	(2,829,420)
Deferred revenue	(376,321)	318,994	(1,024,646)	82,374
Notes payable	-	(329,675)	-	(329,675)
Accrued restructuring charge	(309,613)	1,153,199	(3,116,800)	(2,355,855)
	(527,839)	(1,757,354)	(2,852,401)	(7,950,801)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Short term investments	1,228,779	2,473,427	339,131	10,002,161
Purchase of capital assets, net of related accounts payable	(58,007)	(102,122)	(389,125)	(282,444)
Acquisition of Ambient, net of cash acquired of \$64,281	-	(10,810)	-	(10,810)
	1,170,773	2,360,495	(49,994)	9,708,907
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments on capital lease obligations	(4,431)	(205,097)	(116,283)	(897,437)
Issue of common shares	-	3,389	1,326	7,028
	(4,431)	(201,708)	(114,957)	(890,409)
NET CASH OUTFLOW	638,502	401,433	(3,017,352)	867,697
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	(70,821)	(115,177)	(16,740)	(506,872)
CASH (EXCLUDING SHORT TERM INVESTMENTS), BEGINNING OF YEAR	2,023,344	5,338,862	5,625,118	5,264,293
CASH (EXCLUDING SHORT TERM INVESTMENTS), END OF YEAR	\$ 2,591,026	\$ 5,625,118	\$ 2,591,026	\$ 5,625,118