



BURNTSAND

Burntsand Inc.
Annual Information Form
For the Year
Ended December 31, 2009

March 5th, 2010

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FORWARD LOOKING INFORMATION

Certain information in the Letter to Our Shareholders, this Annual Information Form, Management's Discussion and Analysis, Annual Report 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 future 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 these documents 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.

CORPORATE STRUCTURE

Name and Incorporation

On January 1, 2000, Burntsand Inc. ("Burntsand" or the "Company") was amalgamated under the *Canada Business Corporations Act* ("CBCA") with Next Generation Solutions Inc. ("Next Gen") and Choreo Systems Inc. ("Choreo"). On March 12, 1998, Burntsand was continued under the CBCA. On December 31, 1997 Burntsand was amalgamated under the ABCA with FrontLine Technology Partners Inc. ("FrontLine"). Burntsand changed its name to "Burntsand Inc." on October 4, 1999. On August 1, 1997 Burntsand was amalgamated under the ABCA with Proxy Systems Ltd. On February 7, 1996 Burntsand was amalgamated under the ABCA with Rubicon Technologies Inc. Burntsand was originally incorporated under the *Business Corporations Act* (Alberta) ("ABCA") on December 22, 1994 as "637359 Alberta Ltd." and changed its name to "Burnt Sand Solutions Inc." on April 19, 1995.

Burntsand has one wholly owned subsidiary, Burntsand Corporation, which operates in the United States. Burntsand Corporation has one inactive, wholly owned subsidiary, Ambient Information Resource Enterprise, Inc. On October 29, 2003, Burntsand Corporation acquired, as a wholly owned subsidiary, Ambient Information Resource Enterprise, Inc. On December 31, 2002, Burntsand (New England) Inc. merged into Burntsand Corporation. On May 31, 2002, Burntsand US Inc., and Choreo Systems Corp. merged into Burntsand Pacific Inc., and changed its name to Burntsand Corporation.

The head office, of Burntsand is located at Suite 600, 185 The West Mall, Toronto, Ontario, M9C 5L5. The registered office and records office is located at 900 - 200 Burrard Street, Vancouver BC, V7X 1T2.

Inter-corporate Relationships

Burntsand has one wholly-owned subsidiary, Burntsand Corporation, which was incorporated under the laws of the State of Delaware on September 26, 2000 and carries on Burntsand's US operations.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

In the past three years, Burntsand has focused on increasing services revenue, increasing gross profit and increasing earnings before interest, taxes, depreciation, amortization, stock-based compensation and currency translation losses ("Adjusted EBITDA"). The results of those efforts have been to achieve positive Adjusted EBITDA in 2007, 2008 and 2009 and net income in 2007.

During 2007 the company went through a number of management changes. In June 2007 Tim Duffy resigned as Chief Executive Officer ("CEO") and Martin Glover, Chief Operating Officer at the time, was promoted to CEO. Mr. Glover is the current CEO of the Company.

Burntsand has been focused on the same fundamental business plan during the past three years; delivering complex, high value, business solutions to Global 2000 companies. These business solutions are based on platforms from three strategic partners – Microsoft, EMC and BMC software – are in areas that the company believes have growth prospects and are robust platforms for business applications.

During the past three years there have been three operational imperatives. Revenue growth through more focused solutions, more productive sales personnel and more effective marketing programs resulted in revenue growth in 2007 and 2008. In 2009, revenue declined due to a weak market for information technology services in the United States market. Managing costs during the last three years were critical for building a viable platform from which to launch revenue growth. Finally, operational efficiency as measured by gross profit and implemented through headcount management and maximization of utilization was achieved during the 2006-2009 period.

Acquisitions, once a cornerstone of Burntsand's growth and success, have not been a priority over the past three years.

Details of Recent Acquisitions and Dispositions

There have been no acquisitions or dispositions in the past three years.

DESCRIPTION OF THE BUSINESS

Overview

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 enable Integrated Information Management solutions. Our 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. Our strategic partner in this practice is EMC/Documentum.

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 and the US.

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 – 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 year's 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 such as back office applications of Oracle, SAP and other custom 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 client's 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 primarily mid-market companies (revenues between \$500 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 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.

Our Business Strategy and Objectives for 2010 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 more business process owners in our practice and industry areas. For 2010, the Company anticipates that there will be growth in service revenue due to the current recent improvement economic conditions and in this regard the Company will focus on:

- increase our marketing efforts to accelerate revenue growth and improve profitability;
- creating more business process focused solutions with an industry focus to increase revenue and improve services gross profit; and
- productivity improvements in order to improve services gross profit and increase Adjusted EBITDA.

Burntsand's primary revenue generation vehicle is person based professional services. There is no distinct cyclical trend to the business, but on a seasonal basis in the first quarter clients are often determining their financial budgets, which in some cases delays the assignment of our staff at new projects; the summer months and December holidays can pose availability issues for both Burntsand and client staff due to vacation patterns. Burntsand has been proactively managing its headcount and costs during the past several years to better match its resources with market demand.

Customers

Burntsand provides solutions to mid-market organizations, including divisions of Global 2000 companies. During 2009, Burntsand worked on projects for approximately 91 customers (2008 - 98). Of these projects, approximately 69% (2009 - 78%) were new projects for clients of Burntsand and the remainder were for ongoing projects. Burntsand has clients in a number of industries including communications, high technology, life sciences, manufacturing, healthcare, government, energy and financial services.

Burntsand believes the following characteristics deliver real value to a client:

- A general understanding of the client's industry and specific knowledge of the potential impact of business solutions, technologies, and processes within that industry;
- Specific industry focused offerings with business cost reduction and/or productivity improvement measures based on installed client history;
- Burntsand's strong relationships with leading industry software suppliers (see "Strategic Technology Partners") enable a high level of knowledge transfer from the supplier to the client through a Burntsand relationship; and
- A lower cost delivery model, due to lower overheads, than typically offered by larger Information Technology (IT) integrators, combined with deep knowledge of current technologies and select industry solutions.

Solutions

Burntsand produces solutions that integrate enterprise information to improve business productivity and insight. These solutions fall into three distinct but inter-related groups – content management; collaboration; and service management. When combined in support of a business process, these offerings present organizations with a unique value proposition.

Enterprise Content Management

Content traditionally takes the form of structured data (such as customer data), unstructured data (documents and drawings), semi-structured data (forms and records) and digital assets (pictures, graphics and video). Content management solutions begin with a thorough understanding of the dimensions of an organization's content assets and their role in supporting business activities. Specific ECM offerings from Burtsand include web and marketing content management, records management, transactional document management, digital asset management and scanning solutions.

Collaboration

The Collaboration practice leverages a suite of Microsoft technologies that allow business teams to work together around business content and data to maximize task productivity and information access. Burtsand's offerings in the collaboration sphere include advanced portal solutions, business intelligence and reporting, interaction management, forms automation, enterprise search and custom application development. Additionally, Burtsand is a leading provider of user interface design for portals and applications, ensuring a high rate of system adoption and user satisfaction.

Service Management

Service Management enables an organization to respond proactively and efficiently to the technology demands of its business units, providing superior IT service delivery and infrastructure support in a planned environment. Enterprise Operations services from Burtsand provide advanced infrastructure solutions such as messaging, security and identity management delivered through as a managed service. Service Management adds the control and quality assurance layer in providing IT delivery to its communities of interest through IT process automation and optimization. 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.

Focused Vertical Offerings

Burtsand has acquired significant experience in specific industries by applying technology solutions to common challenges within these particular industries. The following illustrate the combination of general solutions in different industries that Burtsand can integrate to produce a solution to a specific industry problem:

- *Life Sciences:* Advanced document control and data capture techniques are utilized to create a workflow system that collects research and clinical trial data and publishes it to satisfy the federal regulatory requirements for new drug approval.
- *Healthcare:* Portal and collaboration solutions provide medical teams with powerful tools to streamline pre-surgical preparation and share new research. Administrators benefit from performance dashboards reflecting patients served and beds available.
- *Financial Services:* Custom insurance processing systems using .NET technology, robust security, workflow and controlled document repositories have delivered tailored productivity solutions to leading commercial and property insurance firms.
- *Government:* Portal software for security and access control, combined with content and document management/collaboration, provide a highly efficient, role-based electronic work environment to support regulatory agencies.
- *Energy:* Advanced infrastructure solutions for energy utilities help to make sure that IT service provision is as stable and reliable as the core utility services this sector provides.

Strategic Technology Partners

Burntsand has established relationships with a select group of leading application platform providers. Strategic relationships exist with EMC, Microsoft and BMC Software. The nature and benefits associated with these relationships vary considerably and may vary over time; however, they involve joint marketing and selling efforts on behalf of Burntsand and such suppliers and may also involve preferential pricing, additional disclosure of technical and/or marketing information and preferential recommendations by the supplier on projects. Burntsand is a Microsoft Gold Certified partner in Canada and the US, as well as a managed partner in Microsoft's National System Integrator program, and an EMC Select Services Team partner.

Business Philosophy

Burntsand applies its core values and a comprehensive understanding of strategic technologies to deliver high impact business solutions. Burntsand's interactive approach to problem solving and software, application, and solution integration enables it to effectively design, develop and implement business technology solutions that deliver a competitive advantage and tangible return on investment. The key elements of Burntsand's business philosophy include:

- *Responsibility/Accountability* - We own it. We get it done. We get results. We measure our success by our clients' successes;
- *Trust* - Communication, openness, honesty and integrity guide our every action;
- *Respect/Recognition* - Of individual and team contributions to the success of clients, teams and the company;
- *Leadership* - Continuous learning and creativity provide a dynamic, goal-oriented work environment; and
- *Teamwork* - Our best work is team work that leverages our versatile staff and diverse capabilities.

Strong Partnering Relationships with Clients

Burntsand's interactive approach to problem solving and software application deployment fosters strong relationships with its clients. The approach involves consensus building among client executives, business end-users and IT professionals, enabling Burntsand to effectively evaluate, design, develop and implement business technology solutions. Burntsand also provides end user training for managing the organizational changes that accompany the rollout of new applications and the assimilation of such applications into production environments.

Commitment to Value

At Burntsand we work with our clients to deliver solutions with a fundamental focus on time to value. We excel at blending the right approach and the right team within the optimum time line to enable strategic impact. Our UpFront! delivery process aligns the target outcomes with the business value and identifies the barriers that can slow down or derail the adoption of the resulting solution. Our familiarity with technology and industry processes reduces redundancy throughout all phases of the project, and our experience helps position the solution for an accelerated rate of adoption. The result is the implementation of business solutions with superior value.

Fixed Prices and Fixed Timetables

Burntsand will sometimes deliver projects under a fixed time/fixed price model, although the preferred delivery model is on a time and materials basis. At the commencement of a fixed price and fixed timetable project engagement, Burntsand and its clients agree on the nature of project deliverables. The project deliverables are segmented into small sub-projects to create a controllable scope and work scale. Burntsand's *Upfront!* methodology is designed to manage multiple concurrent sub-projects in order to achieve the desired implementation speed of the project without sacrificing quality control. The end goal is to reduce the risk for clients by ensuring that projects are delivered on time and on budget and prevent project costs and time frames from escalating and negatively impacting expected returns.

UpFront! Delivery Process

UpFront! is a methodology that combines the strategy, technical and creative aspects of solution development. It aids clients in moving from the identification of a business process that needs to transition to a technology based solution, to a full implementation of that solution in very limited time frames. *UpFront!* integrates Burntsand's approach to business process analysis and optimization with rapid deployment of business technology solutions that address the four key solution elements of process, organization, people, and technology.

Business Strategy

Burntsand intends to continue to capitalize on opportunities through a predominantly North American focused strategy which leverages its broad client base, its experience in system integration in web-enabled solution areas and its alliances with strategic partners and technology suppliers. Burntsand is focused on mid-market clients and divisions of Global 2000 companies that need strategic applications custom developed to help deliver new and innovative business technology solutions for their business problems. These solutions are targeted at integrating company wide processes, supporting client relationships with their customers, electronically linking clients to their customers, partners and suppliers and managing company knowledge.

Marketing and Sales

Burntsand markets its services through its own direct sales organization to a diverse set of industries including manufacturing, business services, high technology, life sciences, health care and communications. Burntsand is able to market to diverse industries because its solutions are horizontal in nature. To support its sales efforts, Burntsand conducts an active set of marketing programs including, advertising, seminars, trade shows and ongoing client communications.

Burntsand's direct sales force employs a consultative sales process, working closely with clients and Burntsand's consultants to understand and define client needs and to determine how they are best addressed. As the execution of the projects is typically mission critical and strategic to the client's business, Burntsand's sales and marketing efforts are generally directed to the senior management of a prospective client.

Burntsand also works closely with technology providers to identify specific client opportunities and requirements. It is intended that these relationships will result in Burntsand's introduction to new accounts, increased ability to service new accounts and reduced sales cycle length and cost. Joint marketing activities allow Burntsand to increase market coverage and acceptance of Burntsand's services. These activities include jointly conducted seminars, trade shows and conferences.

Employees

During 2009, Burntsand had an average of approximately 106 full time employees (2008 – 115) and engaged on average 20 full-time equivalent contractors (2008 – 19). Approximately 80% of the total staff is dedicated to professional services delivery (2008 – 80%).

Facilities

Burntsand currently has offices in Vancouver (BC), Toronto (ON), Calgary (AB), Waltham/Boston (MA), Campbell/San Jose (CA) and Irvine (CA). All of Burntsand's existing facilities are leasehold arrangements except for Irvine which is a virtual office. Burntsand's total annual lease payments for 2009 for its office space was approximately \$653,000. Our total annual lease commitments for 2010 are approximately \$554,000.

Competition

The market for Burntsand's business solutions and integration services is highly competitive, fragmented and subject to rapid technological change and frequent new product introductions and enhancements. Burntsand has a large number of competitors that divide into two broad categories: specialized 'boutiques' and major IT consulting and integration firms. Internal IT departments can also be considered competition within the insource/outsource decision process. Many of these major IT competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, greater name recognition and a larger existing client base than Burntsand. As a result, these competitors may be able to respond more quickly to new or emerging technologies and to changes in client requirements or to devote greater resources to the development, promotion and sale of their services than Burntsand. The smaller 'boutique' firms may lack capability breadth and geographic reach but may have a cost advantage due to size and low operational overhead while possessing deep skills in a very narrow application/solutions area.

Burntsand is positioned as a mid-sized solutions integrator. It is Burntsand's belief that it has the capability of the major firms in Burntsand's selected areas of practice with a more flexible operating style and a solutions cost/value advantage over the major firms. Burntsand, as a stable, multi-location, public company with a significant breadth of skills and knowledge has a size/confidence advantage over the 'boutiques'.

Burntsand may compete with systems integrators in all its domain areas, including Deloitte & Touche LLP, Accenture, Perficient Inc. and IBM Global Services. Because the barriers to entry in the systems integration market are relatively low, additional competitors may emerge as the market for these services continues to develop and expand. It is also possible that acquisitions of competitors by large software companies or alliances among competitors could occur. Burntsand expects that consolidation in its industry will occur over the next few years and increased competition from new entrants or through strategic acquisitions or alliances could result in price erosion, reduced gross margins or loss of market share, any of which could have a material adverse effect on Burntsand's business, operating results or financial condition. See "Risk Factors".

Intellectual Property and Other Proprietary Rights

Burntsand relies primarily on a combination of copyright laws, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights. Burntsand seeks to protect its business modules, documentation and other written materials under trade secret laws, which afford only limited protection. Despite precautions taken by Burntsand, it may be possible for unauthorized third parties to copy aspects of its IT business solutions including proprietary business modules or future business modules or to obtain and use information that Burntsand regards as proprietary. There can be no assurance that Burntsand's means of protecting its proprietary rights will be adequate or that Burntsand's competitors will not independently develop similar or superior solutions.

Burntsand also relies on certain technologies from its supplier and technology relationships as the foundation for developing business applications and modules. None of these licenses are unique and are readily available in the market, and are typically owned by the clients.

SELECTED FINANCIAL INFORMATION

	Year Ended December 31		
	2007	2008	2009
Income Statement Data:			
Revenue			
Services	\$22,879,256	\$22,346,733	\$20,974,931
License and maintenance	2,632,169	2,038,519	\$398,525
Other	969,587	1,056,568	\$825,971
	<u>26,481,012</u>	<u>25,441,820</u>	<u>22,199,427</u>
Costs			
Cost of services	15,286,160	15,179,924	14,779,166
Cost of license, maintenance and infrastructure	2,401,605	1,928,816	326,527
Cost of other revenue	901,207	992,456	752,481
	<u>18,588,972</u>	<u>18,101,196</u>	<u>15,858,174</u>
Gross Profit	<u>7,892,040</u>	<u>7,340,624</u>	<u>6,341,253</u>
Expenses			
Sales and marketing	1,796,669	2,087,805	2,026,220
General and administrative	3,041,762	2,496,599	2,552,774
Other expenses	2,592,294	2,328,383	1,840,681
	<u>7,430,725</u>	<u>6,912,787</u>	<u>6,419,675</u>
Income (loss) before interest, amortization, and taxes ⁽¹⁾	461,315	427,837	(78,422)
Net Income (loss)	6,004	(216,690)	(416,703)
Net income (loss) per share basic and fully diluted ⁽²⁾	\$0.00	\$0.00	(\$0.01)
Balance Sheet Data:			
Current assets	7,617,770	10,334,006	7,804,323
Total assets	8,934,717	11,327,013	8,612,056
Current liabilities	2,902,196	3,974,685	2,086,424
Long-term liabilities	160,993	4,926	40,573
Shareholders' equity	\$5,871,528	\$7,347,402	\$6,485,059

⁽¹⁾ The Company reports Adjusted 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 issuers. Adjusted EBITDA is calculated as Net Income less amortization, interest income and expense, income taxes, stock-based compensation and realized currency translation loss.

⁽²⁾ Rounded to the nearest cent.

DIVIDEND POLICY

At the present time, Burntsand intends to retain earnings for corporate purposes. Burntsand has not paid any dividends during its last five completed financial years preceding the date hereof. The payment of dividends in the future will depend upon the earnings and financial condition of Burntsand and on such other factors as the Board of Directors may consider appropriate. However, it is unlikely that earnings will be available for the payment of dividends in the near future.

LEGAL PROCEEDINGS

There currently are no significant outstanding legal proceedings (a) to which Burntsand is, or was during 2009, a party or (b) that Burntsand's property is or was the subject of during 2009, and (c) there were no penalties or sanctions imposed against Burntsand during the year ended December 31, 2009 (i) by a court relating to securities legislation or by a securities regulatory authority; or (ii) by a court or regulatory body that would be considered important to a reasonable investor in making a decision to invest in securities of Burntsand. In 2009, the Company did not enter into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority. Burntsand is not aware of any such material threatened or contemplated proceedings.

MATERIAL CONTRACTS

Burntsand has not entered into any material contracts, other than contracts entered into in the ordinary course of business, within the fiscal year ended December 31, 2009.

RISK FACTORS

Due to Burntsand's stage of development, investment in securities of Burntsand may be regarded as speculative. If any of the following risks or those described in Burntsand's Management Discussion and Analysis for the year ended December 31, 2009 actually occur, Burntsand's business, financial condition, or operating results could be materially adversely affected. In addition, the following factors should be considered by potential investors:

Lengthy Sales and Implementation Cycles

Burntsand's business includes large, complex integration projects. These services generally involve a significant commitment of resources by its prospective customers and will often require Burntsand to provide a significant level of education to prospective customers regarding the use and benefits of the electronic business solutions provided by Burntsand. As a result, Burntsand can invest significant resources without ultimately obtaining a contract. The period between initial contact and project completion will often be lengthy (typically ranging from between three and nine months) and is sometimes subject to a number of significant delays over which Burntsand has little or no control. These lengthy implementation cycles can be caused by poor responsiveness from Burntsand's customers and can result in deferral of revenues.

Market for Business Services - Market Acceptance

The market for Burntsand's business services is characterized by ongoing technological developments, new products being introduced to the market, evolving industry standards and changing customer requirements. Burntsand's future financial performance will depend in large part on continued growth in the number of organizations requiring these services.

Burntsand's future success is also somewhat dependent upon continued growth in the use of the Internet as Burntsand's business solutions are becoming increasingly focused on Internet-based technology. To the extent that businesses do not consider the Internet a viable commercial medium, Burntsand's client base may not grow. The adoption of the Internet for commerce and communications, particularly by those individuals and companies that have historically relied upon alternative means of commerce and communication, generally requires the understanding and acceptance of a new way of conducting business and exchanging information. In particular, companies that have already invested substantial resources in other means of conducting commerce and exchanging

information may be particularly reluctant or slow to adopt a new, Internet-based strategy that may make their existing personnel and infrastructure obsolete. In addition, Burtsand's business may be indirectly impacted if the number of users on the Internet does not increase or if commerce over the Internet does not become more accepted and widespread.

Rapid Technological Change - New Products

The integration services markets in which Burtsand competes are characterized by rapid technological change, frequent introductions of new products, changes in customer demands and evolving industry standards, any of which can render existing products and services obsolete and unmarketable. Burtsand's future success will depend on its ability to address the increasingly sophisticated needs of its customers by supporting existing and emerging hardware, software, database and networking platforms and keeping pace with technological developments, evolving industry standards and changing customer requirements.

Management of Growth - Dependence on Key Personnel

Burtsand's future results of operations will depend in part on the ability of its officers and other key employees to implement and expand operational, customer support and financial control systems and to expand, train and manage its employee base. Burtsand's future performance will also depend to a significant extent on its ability to identify, attract, train and retain highly skilled sales, consulting, technical, marketing and management personnel. Competition for such personnel can be intense, and Burtsand expects that such competition will continue for the foreseeable future.

Competition

The market for Burtsand's business services is highly competitive, fragmented, and subject to rapid technological change and frequent new product introductions and enhancements. Burtsand has a large number of competitors, which include web integrators, internally developed custom applications, systems integrators and packaged application vendors. Many of these competitors have longer operating histories, significantly greater financial, technical, product development, marketing and other resources, greater name recognition or a larger existing customer base than Burtsand. These competitors may be able to respond more quickly to new or emerging technologies and to changes in customer requirements or to devote greater resources to the development, promotion and sale of their products and services than Burtsand.

International Operations

Burtsand has offices in Campbell (San Jose), CA and Boston, MA. This requires significant management attention and financial resources, which could adversely affect Burtsand's operating margins and earnings, if any.

Reliance on Customers' Capital Spending

The decisions by customers to purchase Burtsand's business solutions are often a discretionary one and will be treated by the acquirer as a capital spending project. As a result, to the extent that general economic and business conditions affect the capital expenditure decisions of businesses, an economic slowdown could result in a decrease in sales of Burtsand's solutions and have a material adverse effect on Burtsand's business, financial condition and results of operations.

Reliance on Third-Party Vendors

Burtsand relies on certain third party technologies that it utilizes to produce business applications. Accordingly, Burtsand is subject to such third parties' abilities to maintain or enhance their current products, to develop new products on a timely and cost-effective basis and to respond to emerging industry standards and other technological changes. There can be no assurance that these third party technology licenses will continue to be available to Burtsand on commercially reasonable terms. The loss or the inability of Burtsand to maintain any of these technology licenses could result in delays in delivering Burtsand's business solutions until equivalent technology

can be identified, licensed, and integrated. Any such delays could materially and adversely affect Burntsand's business, operating results and financial condition.

Limited Intellectual Property Protection

Burntsand relies primarily on a combination of copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights. Burntsand seeks to protect its business modules, documentation and other written materials under trade secret and copyright laws, which afford only limited protection. Despite precautions taken by Burntsand, it may be possible for unauthorized third parties to copy aspects of Burntsand's modules or future modules or to obtain and use information that Burntsand regards as proprietary. There can be no assurance that Burntsand's means of protecting its proprietary rights will be adequate or that Burntsand's competitors will not independently develop similar or superior technology. Litigation may be necessary in the future to enforce Burntsand's intellectual property rights, to protect Burntsand's trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of resources.

Failure to Meet Performance Criteria

Burntsand's integration services typically involve applications that are critical to a customer's business. As a result, Burntsand's customers and potential customers typically have demanding requirements for installation and deployment. As these applications are complex and often involve the integration of technologies provided by a number of different vendors, the ultimate solution may not meet a customer's requirements, resulting in delays and lost revenues.

Share Price Volatility

Burntsand's share price has been highly volatile in the past and is likely to continue to be volatile. Factors such as the announcement of technological innovations, the development of new products, the release of financial results, future sales of shares and many other elements could materially affect the price of Burntsand's shares.

Foreign Exchange Exposure

Burntsand's Canadian operations undertake transactions denominated in US dollars and as such are exposed to price risk due to the fluctuations in foreign exchange rates.

Also, from time to time we hold US dollars and other US dollars net positions in Canadian dollar functional currency entity to support our business needs. The holding of US dollar net positions in this entity can cause foreign exchange gains and losses which we included in other expense, net, and can, therefore affect our earnings.

Burntsand's US operation uses the US dollar as its functional currency for both revenue and expenses. Burntsand's US operations are considered to be self-sustaining. As a result the translation adjustment is included in Shareholder's Equity, under the caption "Accumulated Other Comprehensive Loss" and reported on the Consolidated Statement of Comprehensive Loss. Burntsand does use derivative instruments to reduce exposure to foreign exchange risk on operations or the translation of US operations.

Fixed Prices and Fixed Timetables

Burntsand's performs a limited number of projects on a fixed price and fixed timetable rather than on a time and material basis. Under these contractual arrangements, Burntsand bears the risk of cost overruns, completion delays, wage inflation and other cost increases. If Burntsand fails to estimate accurately the resources and time required to complete the project or fail to complete our contractual obligations within the scheduled timeframe, our results of operations could be adversely affected.

Financial Performance

Burntsand has experienced multiple quarters of net losses. During 2009 Burntsand's cost structure was adjusted to better align with anticipated client/market demand. While Burntsand has achieved positive Adjusted EBITDA in 2008 and 2009, positive cash flows from operations in 2008, working capital as at December 31, 2009 of \$5.7 million and anticipates operating profitability and positive operating cash flows in the future, long-term viability is dependent on sustained profitable operations supported by its current working capital.

CAPITAL STRUCTURE

Burntsand is authorized to issue an unlimited number of Common Shares without nominal or par value and an unlimited number of Preferred Shares, of which 3,101,696 have been designated as Series A Preferred Shares. As of the date hereof 72,660,220 Common Shares and no Preferred Shares were issued and outstanding. The Common Shares and the Preferred Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

Common Shares

The holders of the Common Shares shall be entitled to receive notice of and to attend all meetings of the shareholders of Burntsand and shall have one (1) vote for each Common Share held at all meetings of the shareholders of Burntsand, except meetings at which only holders of another specified class or series of shares of Burntsand are entitled to vote separately as a class or series.

Subject to the prior rights of the holders of the Preferred Shares and any other shares ranking senior to the Common Shares with respect to priority in the payment of dividends, the holders of Common Shares shall be entitled to receive dividends and Burntsand shall pay dividends thereon, as and when declared by the board of directors of Burntsand out of monies properly applicable to the payment of dividends, in such amount and in such form as the board of directors of Burntsand may from time to time determine and all dividends which the board of directors of Burntsand may declare on the Common Shares shall be declared and paid in equal amounts per share on all Common Shares at the time outstanding.

In the event of the dissolution, liquidation or winding-up of Burntsand, whether voluntary or involuntary, or any other distribution of assets of Burntsand among its shareholders for the purpose of winding-up its affairs, subject to the prior rights of the holders of the Preferred Shares and any other shares rankings senior to the Common Shares with respect to priority in the distribution of assets upon dissolution, liquidation, winding-up or distribution for the purpose of winding-up, the holders of the Common Shares shall be entitled to receive the remaining property and assets of Burntsand.

Preferred Shares

The Preferred Shares may be issued at any time and from time to time in one or more series. A total of 3,101,696 preferred Shares are currently designated as Series A Preferred Shares, and the special rights and restrictions attached to those shares are summarized below. Before the first shares of a particular series (other than the Series A Preferred Shares) are issued, the board of directors of Burntsand shall fix the number of shares in such series and shall determine, subject to the limitations set out in the Articles, the designation, rights, privileges, restrictions and conditions to be attached to the shares of such series including, without limitation, the rate or rates, amount or method or methods of calculation of dividends thereon, the time and place of payment of dividends, whether cumulative or non-cumulative or partially cumulative and whether such rate, amount or method of calculation shall be subject to change or adjustment in the future, the currency or currencies of payment of dividends, the consideration and the terms and conditions of any purchase for cancellation, retraction or redemption rights (if any), the conversion or exchange rights attached thereto (if any), the voting rights attached thereto (if any), and the terms and conditions of any share purchase plan or sinking fund with respect thereto. Before the issue of the first shares of a series (other than the Series A preferred Shares), the board of directors of Burntsand shall file Articles of Amendment, as required under the *Canada Business Corporations Act*, containing a description of such series including the designation, rights, privileges, restrictions and conditions determined by the board of directors of Burntsand.

No rights, privileges, restrictions or conditions attached to a series of Preferred Shares shall confer upon a series a priority in respect of dividends or return of capital over any other series of Preferred Shares then outstanding. The Preferred Shares shall be entitled to priority over the Common Shares of Burntsand and over any other shares of Burntsand ranking junior to the Preferred Shares with respect to priority in the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Burntsand, whether voluntary or involuntary, or any other distribution of the assets of Burntsand among its shareholders for the purpose of winding-up its affairs. If any cumulative dividends or amounts payable on a return of capital in respect of a series of Preferred Shares are not paid in full, the Preferred Shares of all series shall participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all there being insufficient assets to satisfy in full all such claims to dividends and return of capital, the claims of the holders of the Preferred Shares with respect to repayment of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment and satisfaction of claims in respect of dividends. The Preferred Shares of any series may also be given such other preferences, over the Common Shares and over any other shares ranking junior to the Preferred Shares as may be determined in the case of such series of Preferred Shares.

Except as otherwise required by law or in accordance with any voting rights which may from time to time be attached to any series of Preferred Shares, the holders of the Preferred Shares as a class shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of Burntsand.

The rights, privileges, restrictions and conditions attaching to the Preferred Shares as a class may be added to, changed or removed but only with the approval of the holders of the Preferred Shares given as hereinafter specified. The approval of the holders of the Preferred Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Preferred Shares as a class or to any other matter requiring the consent of the holders of the Preferred Shares as a class may be given in such manner as may then be required by law, subject to a minimum requirement that such approval shall be given by resolution passed by the affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of Preferred Shares duly called for that purpose.

The formalities to be observed in respect of the giving of notice of any such meeting or any adjourned meeting and the conduct thereof shall be those from time to time required by the *Canada Business Corporations Act* (as from time to time amended, varied or replaced) and prescribed in the by-laws of Burntsand with respect to meetings of shareholders. On every poll taken at a meeting of holders of Preferred Shares as a class, each holder entitled to vote thereat shall have one vote in respect of each Preferred Shares held by him.

MARKET FOR SECURITIES

Burntsand common shares are listed and posted for trading on the Toronto Stock Exchange under the symbol "BRT". The following table sets forth, for the periods indicated, the high, low and close sale prices per common share and the volume of common shares traded during the month as reported on Toronto Stock Exchange:

<u>Date</u>	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>Volume</u>
December 31, 2009	\$ 0.075	\$ 0.070	\$ 0.070	67,700
November 30, 2009	\$ 0.075	\$ 0.065	\$ 0.075	73,700
October 30, 2009	\$ 0.100	\$ 0.095	\$ 0.095	58,500
September 30, 2009	\$ 0.100	\$ 0.095	\$ 0.100	190,700
August 31, 2009	\$ 0.115	\$ 0.095	\$ 0.115	33,300
July 31, 2009	\$ 0.105	\$ 0.090	\$ 0.105	37,500
June 30, 2009	\$ 0.110	\$ 0.090	\$ 0.110	33,700
May 29, 2009	\$ 0.100	\$ 0.095	\$ 0.100	104,000
April 30, 2009	\$ 0.085	\$ 0.085	\$ 0.085	1,800
March 31, 2009	\$ 0.090	\$ 0.080	\$ 0.090	73,200
February 26, 2009	\$ 0.085	\$ 0.065	\$ 0.075	68,800
January 30, 2009	\$ 0.085	\$ 0.080	\$ 0.080	76,200

PRIOR SALES AND ESCROWED SECURITIES

No securities of Burtsand of any class were sold by Burtsand during the most recently completed financial year. To Burtsand's knowledge, there are no shares of Burtsand currently held in escrow.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common shares of Burtsand is Computershare Trust Company of Canada, Vancouver, B.C.

DIRECTORS AND OFFICERS

Burtsand has not established an executive committee of its board of directors. Each director's term expires at the annual general meeting of Burtsand held each year and all directors are subject to re-election at that time. The directors and executive officers of Burtsand as a group own, directly or indirectly, or exercise control or direction over, 15,738,721 Common Shares, being approximately 22% of the issued and outstanding Common Shares.

Directors

The following table shows the full name, municipality of residence, equity ownership, position with Burtsand and principal occupations of each of the directors of Burtsand during the past five years:

Michael Cardiff⁽¹⁾⁽²⁾ Chief Executive Officer of Accelerents Inc. <i>Ontario, Canada</i>	Mr. Cardiff is the CEO of Accelerents Inc., a strategy consulting firm. Mr. Cardiff is the former CEO of INEA Inc., a performance management software company to the financial services sector and former President and Chief Executive Officer of Fincentric Inc. Prior to joining Fincentric, Mr. Cardiff was Executive Vice President, Financial Services, with EDS Canada, where he held responsibility for all of EDS' business with financial institutions in Canada.
Director since February 5, 2002 Common Shares: Nil Options: 500,000	Mr. Cardiff has received many awards including A Canadian Export, Life Time Achievement Award. In 1998, he was named one of Canada's 'Top 40 Under 40', recognizing him as one of the nation's most successful young leaders. He is currently a member of the Institute of Corporate Directors and received his ICD.D Designation.
	Mr. Cardiff is currently a Director of Descartes Systems Group, Hydrogenics Corporation, and an advisor to several technology companies and private equity firms. Mr. Cardiff has also served as a Corporate Director of Husky Injection Molding, Solcorp, Visible Genetics, Spectra Security Software Visible Decisions as well as The Toronto Film Festival and Roy Thompson Hall.

Tim Duffy President and Chief Executive Officer of IWCC Training in Communications <i>Ontario, Canada</i>	Mr. Duffy is President and CEO of IWCC Training, a training company focused on writing, presentation and interpersonal skill development. From August 2006 to June 2007, Mr Duffy was President and CEO of Burntsand. Mr. Duffy has held senior positions, primarily in the high tech industry, for the past 25 years. From 1999 through to 2006, Mr. Duffy was the Vice President for Siemens Canada Limited's A&D division, and then served as General Manager for their largest region. Prior to this, he held senior positions with Computer Innovations (1983-1988); Apple Canada (1988-1993) and Acclivus Corporation, a performance development firm (1993-1999). Mr. Duffy is a member of the York Technology Association and is an active YTA CEO Peer Group leader. He has held a number of positions on community focused groups with Sheridan College; City of Brampton; City of Mississauga; and a variety of Chambers of Commerce and Boards of Trade. Mr. Duffy is a Management graduate from the Algonquin College of Applied Arts and Technology (1982).
Martin L. Glover President and Chief Executive Officer <i>Massachusetts, USA</i>	Mr. Glover is Chief Executive Officer. Mr. Glover joined Burntsand in November of 2001 through the acquisition of Primix in Boston, where he led a team of professionals that successfully delivered highly complex business solutions for blue chip clients since 2000. Mr. Glover has over 20 years of management experience in a variety of industries including telecommunications and financial services. Mr. Glover holds a Bachelor of Science, Business and Public Administration from the University of Texas at Dallas.
Terry M. Holland⁽¹⁾⁽²⁾ Chairman of the Board of Burntsand & President and Chief Executive Officer of Krystal Financial Corp. <i>British Columbia, Canada</i>	Chairman of the Board. Mr. Holland has been Chairman of Burntsand since August 6, 2009. Mr. Holland is a Fellow Chartered Accountant (FCA) and President and CEO of Krystal Financial Corp., a Vancouver based private equity firm. Over the last 20 years Mr. Holland has had extensive experience in the acquisition and financing of businesses in a wide variety of sectors. During this time he has worked closely with senior management of these businesses, providing both financial and strategic support. He also serves as a director of Ondine Biopharma Corp. and Hardwoods Distribution Income Fund.
John B. Kelly⁽¹⁾⁽²⁾ Vice President of Enable Business Advisors Inc.	John Kelly is currently Vice President of Enable Business Advisors Inc. Previously, he was President and CEO of Clearford Industries Inc. from 2008 until 2009. Mr. Kelly was CEO of JetForm Corporation from 1995 until joining Reid Eddison Inc. in 1999, where he was a principal until 2008. From 2001 until 2007, Kelly was Chairman of NexInnovations Inc. Prior to that, Kelly founded Why Interactive, was a founder of Computer Innovations Distribution Inc. and Nabu Network Corporation, and was also a founder of SHL Systemhouse Ltd. (since acquired by EDS). Kelly has received many honors and awards, including: Master Entrepreneur of the Year, Ontario (1997), Most Respected CEO, Ottawa (1998), Civic Entrepreneur of the Year, Ottawa (1999) and Ottawa's Business Man of the Year (2001). In November 2004, Kelly was inducted into the CIPA (Canadian Information Productivity Awards) Hall of Fame. In May 2005, Kelly received the United Way Volunteer of the Year Award. Mr. Kelly holds an honors B.B.A. degree in Finance from Iona College, an honors Law degree from the University of Ottawa, and an honorary Doctorate from the University of Ottawa. Mr. Kelly is currently a Director of a number of private and public companies including Clearford Industries Inc. and Thermal Energy International Inc.

James Meekison, BA, MA, MBA Chairman and Chief Executive Officer of Trimin Capital Corporation <i>Ontario, Canada</i> Director since August 6, 2009 Common Shares: nil Options: 450,000	Mr. Meekison is currently Chairman and Chief Executive Officer of Trimin Capital Corp., a private equity company. Mr. Meekison's career has spanned over 40 years in the investment banking, cable television and private equity industries. He has served as a director of Nesbitt Thomson Limited, Chairman of Cablecasting Limited, a Canadian cable television company, which he co-founded in 1969, and Chairman and director of several companies in which he invested during his career in private equity. He also served as a director of First Marathon Inc. from 1984 until it was sold in 1999. Mr. Meekison holds an MBA degree from Harvard University and BA and MA degrees from the University of British Columbia. He is a member of the board of directors of GMP Capital Trust, Retrocom Mid-Market REIT, Sonor Investments Limited and Pathways to Education Canada.
James R. Yeates <i>British Columbia, Canada</i> Director since inception Common Shares: 14,225,715⁽³⁾ Options: 750,000	Over the past 25 years Mr. Yeates has been Chairman and/or CEO of such companies as Computer Innovations Inc. and INSINC Inc. before he founded Burntsand Inc. in 1996. Mr. Yeates was the CEO of Burntsand Inc. from its inception on January 1, 1996 to February, 2001 and from November, 2003 to August 8, 2006. Mr. Yeates has served as a Director of Burntsand since its inception and Chairman from inception to August 6, 2009. Mr. Yeates has also held the position of Chairman and/or Director of a number of public and/or private non-technology and technology companies. Presently, Mr. Yeates is a Director of British Columbia Rail Corp. Mr. Yeates holds a Master of Computer Sciences degree from McGill University since 1973 and a Bachelor of Sciences degree in Mechanical Engineering from the University of Vermont in 1970.

⁽¹⁾ Members of the Audit and Corporate Governance Committee of Burntsand.

⁽²⁾ Members of the Compensation Committee of Burntsand

⁽³⁾ Of these, 13,167,538 are owned by Interactive Selling, Inc., a company of which 55% of the shares are beneficially owned by James R. Yeates and the other 45% are owned by Trimin Capital Corp. and 160,983 are owned by a member of his immediate family.

Board Charter

Burntsand adopted a formal charter for the Board of Directors. In recognizing the primary responsibility of the Board of Directors to provide governance and stewardship to Burntsand, the charter sets out the Board of Directors' responsibilities in the following key areas:

- the appointment and supervision of the management (including roles and responsibilities of the Chair of the Board of Directors and the Chief Executive Officer);
- strategic planning and risk management;
- financial reporting and management;
- shareholder communication;
- corporate governance; and
- adoption and monitoring compliance with codes of conduct.

A copy of the Board Charter is available on in the Governance area of our website at www.burntsand.com.

Committees of the Board of Directors

The Board of Directors of Burntsand currently has an audit and corporate governance committee and a compensation committee. A summary of each committee's responsibilities is set out below.

Audit and Corporate Governance Committee

The audit and corporate governance committee assists the Board of Directors in fulfilling its responsibilities for oversight and supervision of financial and accounting matters. The committee supervises the adequacy of Burntsand's internal accounting controls and financial reporting practices and procedures and the quality and integrity of Burntsand's audited and un-audited financial statements, including through discussions with Burntsand's external auditors. The committee reviews Burntsand's business plan and operating and capital budgets and management's reports on pension plan oversight. The committee is responsible for ensuring efficient and effective assessment of management of risk throughout Burntsand.

The audit and corporate governance committee is responsible for developing Burntsand's approach to corporate governance issues and advising the Board of Directors in filling vacancies on the Board. In addition, it periodically reviews the size, composition and compensation of the Board of Directors, the effectiveness of the Board and its individual members, and appropriate committee structures, mandates, composition, membership and effectiveness. This committee reviews the Chief Executive Officer's goals and objectives at the start of each year and provides an appraisal of the Chief Executive Officer's performance for the most recently completed year. This committee is also responsible for succession planning for the Chief Executive Officer.

The members of the committee are Mike Cardiff(Chair), John Kelly and Terry Holland

Charter

The full text of the audit and corporate governance committee's charter is included as Appendix A to this Annual Information Form and is available in the Governance area of our website at www.burntsand.com.

Composition of the Committee and Relevant Education and Experience of its Members

The members of the audit committee, outlined above, each of whom is a director of Burntsand, is financially literate, and independent under Sections 1.4 and 1.5 of Multilateral Instrument 52-110 - Audit Committees. The members of the audit committee bring significant skill and experience to their responsibilities including professional experience in accounting, business and finance. The specific education and experience of each such member that is relevant to the performance of his responsibilities as a member of the committee is described in their biographies in the Directors and Officers section.

Pre-Approval Policies and Procedures

As set out in the committee's charter, the committee is responsible for pre-approving any non-audit services to be provided to Burntsand by its external auditor, with reference to compatibility of the service with the external auditor's independence.

Audit and Corporate Governance Committee Oversight

There have been no recommendations of our Audit and Corporate Governance Committee to nominate or compensate an external auditor that have not been adopted by our board of directors.

External Auditor Service Fees

The aggregate fees billed and/or accrued for the years ended December 31, 2009 and 2008 for professional services rendered by Deloitte & Touche, Burntsand's auditor, are set out below:

Services Rendered	Year ended December 31,	
	2009	2008
Audit Fees ⁽¹⁾	\$80,000	\$ 110,000
Audit Related Fees ⁽²⁾	\$9,500	\$ 9,436
Tax Fees ⁽³⁾	Nil	Nil
All Other Fees	Nil	Nil

⁽¹⁾ For the audit of the financial statements of Burntsand and its subsidiaries and for services normally provided by the auditor in connection with statutory and regulatory filings. 2009 amount is estimated fee.

⁽²⁾ Audit related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported under the audit fees item above. These services consisted primarily of accounting consultations, out of pocket costs and Burntsand's portion of the Canadian Public Accountability Board participation levy. The 2009 amount is estimate for audit related fees.

⁽³⁾ Fees for tax compliance services and tax advice and planning, including the preparation of corporate tax returns and assistance with questions regarding tax audits, capital structure, tax reporting and corporate transactions are not performed by Burntsand's auditor.

Compensation Committee

The compensation committee ensures that Burntsand has high calibre executive management in place and a total compensation plan that is aligned with Burntsand's performance, as well as competitive, motivating and rewarding for participants. The compensation committee reviews and makes recommendations to the Board of Directors of Burntsand concerning the appointment of executive officers of Burntsand, and the establishment of, and any material changes to, executive compensation programs (including the general compensation philosophy and guidelines, incentive plan design and other remuneration and any adjustments to that compensation (salary, incentives, benefits options or other perquisites), including that of the Chief Executive Officer. The committee approves and reports to the Board of Directors on management succession plans (other than succession plans relating to the Chief Executive Officer, which are the responsibility of the governance committee).

The members of our committee are John Kelly (Chair), Mike Cardiff and Terry Holland.

Executive Officers

The following are the executive officers of Burntsand, their titles and their province/state of residence.

Martin Glover <i>Massachusetts, USA</i>	Chief Executive Officer	Mr. Glover is Chief Executive Officer. Mr. Glover was Chief Operating Officer from June 2006 to June 2007, when he was promoted to Chief Executive Officer. Mr. Glover joined Burntsand in November of 2001 through the acquisition of Primix in Boston, where he led a team of professionals that successfully delivered highly complex business solutions for blue chip clients since 2000. Mr. Glover has over 20 years of management experience in a variety of industries including telecommunications and financial services. Mr. Glover holds a Bachelor of Science, Business and Public Administration from the University of Texas at Dallas.
Terry Lillico <i>Ontario, Canada</i>	Vice President, Consulting Services - Canada	Mr. Lillico is Vice President, Consulting Services – Canada. Mr. Lillico was previously the Regional Managing Director for Toronto Operations with Burntsand Inc. (2002 to 2007). Mr. Lillico was a Senior Manager with Deloitte & Touche Solutions (2001 to 2002) and Senior Vice President with CGI (1998 to 2001). Prior to this he was with Deloitte Consulting/DRT Systems in various consulting and management roles including General Manager (1986 to 1998). Mr. Lillico holds a Bachelor of Mathematics (major in Computer Science) from the University of Waterloo.

Alphonse Lucchese <i>Massachusetts, USA</i>	Executive Vice President, Corporate Strategy and Business Development	Mr. Al Lucchese Jr. was appointed Executive Vice-President of Corporate Strategy and Business Development in June 2009. Mr. Lucchese has held executive positions in both public and private companies in the business consulting and technology service sector, including President and Chief Executive Officer of netNumina Solutions Inc., Vice-President and Partner of Whittman-Hart Inc., Co-owner, General Manager and Vice-President, Sales of QCC Inc. Mr. Lucchese began his career at IBM Corp. as a marketing representative. He has a BS degree, Business Administration, from Merrimack College.
Stephen Massel <i>Ontario, Canada</i>	Chief Financial Officer	Stephen Massel was appointed Chief Financial Officer in May 2008. Prior to this, Mr. Massel was the Chief Financial Officer of WellPoint Systems Inc. of Calgary, Alberta from 2007 to April 2008; Chief Financial Officer of Avotus Corporation of Mississauga, Ontario from 2004 to 2006, and from 2001 to 2003 Mr. Massel held various positions of increasing responsibility with Intelligent Detection Systems Inc. and its successor company, LaCoste Romberg Scintrex Inc. ("LRSI") including as Chief Financial Officer of LRSI and President of LaCoste Romberg, a division of LRSI located in Austin, Texas. Mr. Massel holds a Bachelor of Business Administration from Lakehead University and a Chartered Accountant designation from the Ontario Institute of Chartered Accountants.
Edward Podbelski <i>Florida, USA</i>	Vice President, Consulting Services - USA	Mr. Podbelski is Vice President, Consulting Services - USA. Mr. Podbelski joined Burntsand in November 2001 through the acquisition of a company in Boston, where he had served as a Senior Client Partner since 2000. Mr. Podbelski has over 25 years of experience working for software and IT services organizations. Mr. Podbelski holds a Bachelor of Arts from Brandeis University and a Masters of Science in Computer Information Systems from Bentley University.

Corporate Cease Trade Orders or Bankruptcies, Penalties or Sanctions

There have been no bankruptcies, receiverships or similar proceedings against Burntsand or any of its subsidiaries, or any voluntary bankruptcies, receiverships or similar proceedings by Burntsand or any of its subsidiaries, within the three most recently completed financial years or current financial year.

No shareholder holding a sufficient number of securities of Burntsand to materially affect control of Burntsand, director or executive officer of Burntsand, other than Mr. John Kelly, is, or has been, within the past ten years: (a) a director or officer of any company, that while that person was acting in that capacity (i) was subject to a cease trade or similar order or an order that denied that company access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days, (ii) was subject to an event that resulted, after the director or executive officer ceased to a director or executive officer, in that company being subject to a cease trade order, similar order or order that denied the relevant company access to any exemption under Canadian securities legislation for a period of more than 30 consecutive days; (iii) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver

manager or trustee appointed to hold its assets; (b) bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets. In addition, none of the directors or officers of Burntsand has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making a decision to invest in Burntsand. Mr. John Kelly was a director and officer of Rebel.com Inc. when it was petitioned into bankruptcy in 2001 and a director and officer of Nexinnovations Inc. when it was obtained CCAA protection on August 13, 2006 and again on October 2, 2007.

Conflicts of Interest

To the knowledge of Burntsand, no director or executive officer of Burntsand has an existing or potential material conflict of interest with Burntsand or any of its subsidiaries.

INTERESTS OF EXPERTS

The Company's consolidated financial statements for the years ended December 31, 2009 and December 31, 2008 have been audited by Deloitte & Touche LLP. Deloitte & Touche LLP is independent of the Company as required by the Canadian Institute of Chartered Accountants and the respective provincial institutes.

ADDITIONAL INFORMATION

Additional information relating to Burntsand may be found on SEDAR at www.sedar.com, including our directors' and officers' remuneration and indebtedness, principal holders of our common shares and securities authorized for inclusion under equity compensation plans, where applicable, is contained in our most recent Management Proxy Circular for our most recent annual meeting of shareholders that involved the election of directors. Financial information is provided in the Consolidated Financial Statements and Management's Discussion and Analysis.

Copies of our most recent Annual Report, Financial Statements, Management's Discussion and Analysis, Management Proxy Circular and this Annual Information Form may be found on SEDAR at www.sedar.com and may be obtained from:

Burntsand Inc.
185 The West Mall, Suite 600
Toronto, ON M9C 5L5
Attn: Investor Relations

Tel: 416-234-3800
Fax: 416-234-3802
Email: InvestorRelations@burntsand.com

APPENDIX A

Burntsand Inc. **Audit and Corporate Governance Committee** **Charter**

Committee Mission: The Committee acts on behalf of the Burntsand Board of Directors to assist Board overseeing the integrity of Burntsand's financial statements, compliance with legal and regulatory requirements, the independent auditors' qualifications and independence, and the performance of Burntsand's independent auditors.

Members of the Committee are appointed by the Board of Directors and shall serve at the pleasure of the Board. The Board of Directors shall appoint the Committee Chair. Members of the Committee shall individually meet the independence requirements of the Toronto Stock Exchange and shall collectively meet the experience requirements of the Toronto Stock Exchange.

The Committee, without the necessity of seeking Board approval, shall have the authority to retain special legal, accounting, or other consultants to advise the Committee. The Committee may request any officer or employee of Burntsand or Burntsand's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Committee shall make regular reports of its meetings to the Board of Directors.

Functions, Duties and Authorities.

The Committee shall:

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board of Directors;
2. With respect to the independent auditors,
 - (i) have sole authority to select, retain, evaluate, and replace the independent auditors (subject to shareholder approval, if applicable);
 - (ii) pre-approve all non-audit services for Burntsand (the Chair of the Committee shall have the authority to grant any required approvals, subject to the Chair reporting any such approvals to the Committee at its next scheduled meeting);
 - (iii) approve all audit services for Burntsand (the Chair of the Committee shall have the authority to grant any required approvals, subject to the Chair reporting any such approvals to the Committee at its next scheduled meeting);
 - (iv) instruct the independent auditors that the independent auditors are accountable to the Committee;
 - (v) obtain a report from the independent auditors at least annually regarding (a) the auditor's internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review of the auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditors, (c) any steps taken to deal with such issues, and (d) all relationships between the auditors and Burntsand so that the Committee may assess the auditor's independence;
 - (vi) to ensure that the independent auditors prepare and deliver annually a Statement of Independence (it being understood that the independent auditors are responsible for the accuracy and completeness of this Statement) and discuss with the independent auditors any relationships or services disclosed in this Statement that may impact the objectivity and independence of Burntsand's independent auditors;

- (vii) recommend to the Board of Directors the compensation of the independent auditor; and
- (viii) as appropriate as determined by the Committee, obtain advice and assistance from outside legal, accounting or other advisors.

Burntsand shall provide appropriate funding, as determined by the Committee, for payment of compensation to any registered public accounting firm engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for Burntsand and to any advisors employed by the Committee.

3. With respect to the preparation of financial reports and the conduct of the related audits of Burntsand,
 - (i) advise management and the independent auditors that they are expected to provide to the Committee a timely analysis of significant financial reporting issues and practices (and, in that regard, the Committee directs, and shall be entitled to rely upon, management and the independent auditors to identify financial reporting issues and practices, if any, of the significance requiring Committee oversight);
 - (ii) meet with management and the independent auditors to (a) discuss the scope of the annual audit, (b) review the annual audited financial statements including disclosures made in management's discussion and analysis and related press releases prior to public disclosure, (c) discuss any significant matters arising from the audit or report as disclosed to the Committee by management or the independent auditors, (d) review the form of opinion the independent auditors propose to render with respect to the audited annual financial statements, (e) discuss significant changes to Burntsand's auditing and accounting principles, policies, or procedures proposed by management or the independent auditors, and (f) inquire of the independent auditors of significant risks or exposures, if any, that have come to the attention of the independent auditors and any difficulties encountered in conducting the audit, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management;
 - (iii) meet with management to review Burntsand's quarterly financial statements including disclosures made in management's discussion and analysis and related press releases prior to public disclosure;

At least annually prior to the filing of the audit report with the Commission (and more frequently if appropriate), review and discuss reports from the external auditor on (1) all critical accounting policies and practices to be used, (2) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the external auditor and (3) other material written communications between the external auditor and management, such as any management letter or schedules of unadjusted differences.

Discuss with management Burntsand's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).

4. Supervise and direct any special projects or investigations the Committee considers necessary;
5. Review with Burntsand's Counsel legal matters that may have a material impact of the financial statements and any material reports or inquiries received from regulators or government agencies raising significant issues as to compliance with applicable laws;
6. Meet separately, periodically, with representatives of management, and the independent auditors;
7. Set policies for Burntsand's hiring of employees or former employees of the independent auditors;

8. Establish procedures for the receipt, retention, and treatment of complaints received by Burntsand regarding accounting, internal accounting controls, and auditing matters and the confidential, anonymous submission by employees of Burntsand of concerns regarding questionable accounting or auditing matters;
9. Review with management Burntsand's contingency plans, other emergency recovery plans, and Burntsand's security program for end use computing;
10. Prepare and/or review any report of the Committee required to be included in Burntsand's annual proxy statement; and
11. Conduct and review with the Board of Directors annually an evaluation of the Committee's performance with respect to the requirements of this Charter.

While the Committee has functions, duties and authorities set forth in this Charter, its role is one of oversight. It is not the duty of the Committee to plan or conduct audits or to determine that Burntsand's financial statements are complete and accurate or are in accordance with generally accepted accounting principles. This is the responsibility of management. The independent auditors are responsible for planning and carrying out a proper audit and review, including, when requested, reviews of Burntsand's quarterly financial statements prior to the filing of each quarterly report. In fulfilling their responsibilities hereunder, it is recognized that the members of the Committee are not employees of Burntsand and are not, and do not represent themselves to be, serving as accountants or auditors. As such, it is not the responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting procedures and each member of the Committee shall be entitled to rely, in good faith, on the integrity of those persons or organizations within and outside Burntsand that it receives information, opinions, reports, or statements from and the accuracy of the financial and other information, opinions, reports or statements provided to the Committee by such persons or organizations.

The Committee will meet as often as it determines is appropriate, but not less frequently than quarterly. All Committee members are expected to attend each meeting, in person or via tele-videoconference. The Committee may invite any officer or employee of Burntsand, the external auditors, Burntsand's outside counsel, the Committee's counsel or others to attend meetings and provide pertinent information. Meeting agendas will be prepared by the Chief Financial Officer, subject to review and amendment by the Committee, and provided in advance to members, along with appropriate briefing materials. Minutes will be kept by a member of the Committee or a person designated by the Committee.

Delegation to Subcommittee

The Committee may delegate to a subcommittee of its members (including alternates) any of its functions, duties and authorities, on such terms and conditions and with such limitations (if any) as the Committee deems appropriate.

With respect to corporate governance matters pertaining to the shareholders and the Board of Directors. The Committee:

- has the specific and ongoing responsibility to review the state of Burntsand's corporate governance as to quality and effectiveness and to recommend enhancements to the Board of Directors;
- reviews the performance, but not the compensation, of the Chief Executive Officers (CEO) and succession planning for the CEO;
- reviews the role and composition of the board and its committees and the methods and processes by which the board fulfils its duties;
- reviews the performance of the board, its committees and the directors;
- considers board and committee agendas and the quality of material being presented; and
- establishes criteria for election and re-election as a director, thereby managing the director nomination process.