

Financial Statements of

LABRADOR TECHNOLOGIES INC.

Three months ended January 31, 2007 and 2006

Unaudited Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation discloses that its auditors, KPMG LLP, have not reviewed the unaudited financial statements for the three month period ended January 31, 2007.

Notice to the Reader of the Interim Financial Statements

The interim financial statements of Labrador Technologies Inc., consisting of the interim balance sheet, the interim statement of operations and deficit, and the interim statement of cash flows for the three month period ended January 31, 2007 are the responsibility of the Corporation's management.

The interim financial statements have been prepared by management and include the appropriate accounting principles, judgments and estimates necessary to prepare these interim financial statements in accordance with Canadian generally accepted accounting principles. In addition, these interim financial statements have been reviewed and have been approved by the Corporation's Audit Committee and Board of Directors.

Ron Sterne
President & Chief Executive Officer
Labrador Technologies Inc.

Jeff Howe
Chief Financial Officer
Labrador Technologies Inc.

March 6, 2007

LABRADOR TECHNOLOGIES INC.

Balance Sheets
(unaudited)

	January 31 2007	October 31 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 191,307	\$ 347,536
Accounts receivable	13,763	7,458
Prepaid expenses	7,352	7,352
	212,422	362,346
Property and equipment	41,547	44,673
	\$ 253,969	\$ 407,019
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 28,273	\$ 20,292
Shareholders' equity:		
Common shares (note 3)	6,163,264	6,141,283
Share purchase warrants (note 3)	52,850	52,850
Contributed surplus (note 3)	331,357	266,838
Deficit	(6,321,775)	(6,074,244)
	225,696	386,727
Going concern (note 1)		
Subsequent events (note 6)		
	\$ 253,969	\$ 407,019

See accompanying notes to financial statements.

On behalf of the Board:

"signed"
H. Ronald Sterne
Director

"signed"
George Wilson
Director

LABRADOR TECHNOLOGIES INC.

Statements of Operations and Deficit

(Unaudited)

	Three months ended	
	January 31 2007	January 31 2006
Revenues:		
Interest income	\$ —	\$ 1,784
	—	1,784
Expenses:		
General and administrative	111,015	107,224
Computer and related costs	54,288	61,003
Sales and marketing	9,802	16,541
Stock-based compensation (note 3)	69,300	—
Amortization	3,126	6,000
	247,531	190,768
Net loss	(247,531)	(188,984)
Deficit, at beginning of period	(6,074,244)	(5,145,912)
Deficit, at end of period	\$ (6,321,775)	\$ (5,334,896)
Net loss per share:		
Basic and diluted	\$ (0.01)	\$ (0.02)

See accompanying notes to financial statements.

LABRADOR TECHNOLOGIES INC.

Statements of Cash Flows

(Unaudited)

	Three months ended	
	January 31 2007	January 31 2006
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (247,531)	\$ (188,984)
Items not involving cash:		
Stock-based compensation	69,300	—
Amortization	3,126	6,000
Shares for services performed	4,000	19,400
	(171,105)	(163,584)
Changes in non-cash working capital (note 4)	1,676	(4,961)
	(169,429)	(168,545)
Investing activities:		
Property and equipment purchases	—	(3,254)
Financing activities:		
Proceeds from the exercise of options	13,200	—
Decrease in cash and cash equivalents	(156,229)	(171,799)
Cash and cash equivalents, beginning of period	347,536	256,158
Cash and cash equivalents, end of period	\$ 191,307	\$ 84,359
Cash and cash equivalents consist of:		
Cash	91,307	84,359
Short-term deposits	100,000	—
	\$ 191,307	\$ 84,359

See accompanying notes to financial statements.

LABRADOR TECHNOLOGIES INC.

Notes to Financial Statements
(unaudited)

Three months ended January 31, 2007

Labrador Technologies Inc. (the "Corporation") is engaged in the research and development, and marketing of data retrieval technology for customers.

1. Going concern:

These financial statements have been prepared on the basis of accounting principles for interim financial statements and, which assume that the Corporation is a going concern and will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. The financial information included herein is unaudited. These interim financial statements follow the same accounting policies and methods of application as the most recent annual audited financial statements dated October 31, 2006. The disclosures herein are incremental to those included with the annual financial statements and, accordingly, these interim financial statements should be read in conjunction with the annual statements.

The Corporation's ability to maintain its current level of operations is dependent on its ability to generate sufficient cash to fund its strategic business plan. To date, the Corporation has no ongoing source of revenue. At January 31, 2007, the Corporation had cash of \$191,307, no long-term debt, and a working capital balance of \$184,149. During the three month period ended January 31, 2007, the Corporation incurred a net loss of \$247,531 and utilized funds from operations totaling \$169,429. On February 5, 2007, the Corporation announced a private placement for between 222,222 and 1,666,667 units at \$0.45 per unit. Each unit consists of one common share and one half common share purchase warrant. Each whole purchase warrant entitles the holder to purchase one common share of the Corporation at \$0.55 per share and expires one year from the date of the private placement. As at March 6, 2007, the Corporation had received signed subscriptions for 224,000 units and had received \$100,800 in proceeds.

In addition, and as of March 6, 2007, the Corporation received cash of \$400,000 from the exercise of 2,000,000 share purchase warrants. As a result of these transactions, the Corporation had a cash balance of \$564,679 at March 6, 2007.

While management believes that the Corporation has sufficient cash to discharge its obligations in the normal course of operations for the foreseeable future, future operations will continue to be dependent upon the successful ongoing development and marketing of the Corporation's data retrieval technology, and/or raising sufficient capital, and the corresponding generation of future cash flows. Management believes the going concern assumption is appropriate for these financial statements. If the going concern assumption were not appropriate for these financial statements, then adjustments might be necessary to the carrying value of assets and liabilities, reported revenues and expenses and the balance sheet classifications used.

2. Significant accounting policies:

The financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles. In the preparation of these financial statements, management has made estimates and assumptions that affect the recorded amounts of certain of the Corporation's assets, liabilities, revenues and expenses and the disclosure of contingent assets and

liabilities. Significant areas requiring the use of management estimates include valuation of stock based compensation and share purchase warrants. However, actual results could differ from the estimates made.

3. Share capital:

(a) Authorized:

Unlimited preferred shares, Series A and Series B; and

Unlimited common shares.

(b) Common shares issued:

	Three months ended January 31, 2007		Year ended October 31, 2006	
	Number of shares	Amount	Number of shares	Amount
Common shares				
Balance, beginning of period	17,863,347	\$ 6,141,283	11,268,507	\$ 5,179,908
Sale of units	—	—	4,671,571	582,200
Exercise of warrants	—	—	1,150,000	256,345
Shares for services performed	10,490	4,000	588,269	91,800
Exercise of options	110,000	13,200	185,000	20,200
Transfer from contributed surplus on exercise of stock options	—	4,781	—	10,830
Balance, end of period	17,983,837	\$ 6,163,264	17,863,347	\$ 6,141,283

During the year ended October 31, 2006, the Corporation completed two private placements as follows:

- March 2, 2006: 4,000,000 units at a price of \$0.10 per unit. Each unit consists of one common share and one-half share purchase warrant. One whole share purchase warrant entitles the holder to purchase one common share of the Corporation at \$0.20 per share and expires one year from the date of the private placement. Of the 4,000,000 units issued under the private placement, 1,000,000 units were issued to directors and/or officers of the Corporation. Of the proceeds raised, \$397,350 was allocated to common share capital and \$2,650 was allocated to share purchase warrants. The value of these share purchase warrants was estimated using the Black-Scholes options-pricing model using the assumptions described in note 3 (e).
- August 4, 2006: 671,571 units at a price of \$0.35 per unit. Each unit consists of one common share and one-half share purchase warrant. One whole share purchase warrant entitles the holder to purchase one common share of the Corporation at \$0.45 per share and expires one year from the date of the private placement. Of the proceeds raised, \$184,850 was allocated to common share capital and \$50,200 was allocated to share purchase warrants. The value of these share purchase warrants was estimated using the Black-Scholes options-pricing model using the assumptions described in note 3 (e).

(c) Share purchase warrants issued:

Warrants	January 31, 2007		October 31, 2006	
	Number of warrants	Amount	Number of warrants	Amount
Balance, beginning of year	2,335,785	\$ 52,850	1,375,000	\$ 31,500
Sale of units	—	—	2,335,785	52,850
Exercise of warrants	—	—	(1,150,000)	(26,345)
Expired warrants	—	—	(225,000)	(5,155)
Balance, end of year	2,335,785	\$ 52,850	2,335,785	\$ 52,850

Of the 1,150,000 warrants exercised, 375,000 were exercised by directors and/or officers of the Corporation.

(d) Stock option plan:

The Corporation has a stock option plan for its directors, officers, consultants and employees. Details of the stock options outstanding and exercisable under this plan were as follows:

	Number	Exercise price	Weighted average exercise price
Outstanding at October 31, 2006	1,380,000	\$ 0.10 – 0.43	\$ 0.34
Granted	225,000	0.50	0.50
Expired	(240,000)	0.12 – 0.35	0.34
Exercised	(110,000)	0.12	0.12
Outstanding at January 31, 2007	1,255,000	\$ 0.12 – 0.50	\$ 0.42

Exercise price	Number of Options	Weighted average remaining contractual life (months)
\$ 0.12	40,000	16
0.20	60,000	50
0.35	40,000	2
0.43	890,000	30
0.50	225,000	23
Stock options outstanding at January 31, 2007	1,255,000	28
Exercisable at January 31, 2007	536,667	28

(e) Stock-based compensation:

During the three month period ended January 31, 2007, 225,000 (2006 – nil) stock options were granted to employees, officers, consultants and directors of the Corporation. Of the 225,000 stock options granted, 100,000 stock options vested immediately, 50,000 stock options vest in 12 months and the remaining 75,000 vest evenly over 24 months. The fair value of stock options granted was estimated using the Black-Scholes option-pricing model with the following assumptions:

	Issued in the period ended Jan 31 2007	Issued in the year ended Oct 31 2006
Dividend yield	0%	0%
Expected volatility	90%	60% - 90%
Risk free rate of return	5%	5%
Expected option life	2 years	3 - 5 years
Weighted average option value	\$ 0.21	\$ 0.25

(f) Contributed surplus:

	Jan 31, 2007	Oct 31, 2006
Beginning of period	\$ 266,838	\$ 227,814
Stock-based compensation	69,300	44,699
Expired warrants	—	5,155
Exercise of options	(4,781)	(10,830)
End of period	\$ 331,357	\$ 266,838

(g) Per share amounts:

The weighted average number of common shares outstanding during the three month period ended January 31, 2007 was 18,004,176 (2006 – 11,331,551).

There was no dilutive effect of options and warrants for the three month periods ended January 31, 2007 and 2006.

4. Supplemental cash flow disclosure:

Changes in non-cash working capital are as follows:

	January 31 2007	January 31 2006
Accounts receivable	\$ (6,305)	\$ —
Accounts payable and accrued liabilities	7,981	(4,961)
	\$ 1,676	\$ (4,961)

5. Fair values:

As at January 31, 2007, the fair values of the Corporation's monetary assets and liabilities approximated their carrying values due to the short term maturity of these items.

6. Subsequent events:

On February 5, 2007, the Corporation announced a private placement for between 222,222 and 1,666,667 units at \$0.45 per unit. Each unit consists of one common share and one half common share purchase warrant. Each whole purchase warrant entitles the holder to purchase one common share of the Corporation at \$0.55 per share and expires one year from the date of the private placement. As at March 6, 2007, the Corporation had received signed subscriptions for 224,000 units and \$100,800 in proceeds.

In addition, and as of March 6, 2007, the Corporation received cash of \$400,000 from the exercise of 2,000,000 share purchase warrants subsequent to January 31, 2007.

7. Related party transactions:

Of the 2,000,000 warrants exercised, 550,000 units were exercised (note 6) by directors and/or officers of the Corporation.

During the first quarter, \$7,500 in consulting fees was paid to a director of the Corporation. This was measured at the exchange amount.

Corporate Information

For further information on Labrador Technologies Inc., please visit our website at www.labradortechnologies.com.

Head Office

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Board of Directors

H. Ronald Sterne, Calgary, Alberta
George A. Wilson*, Q.C., Toronto, Ontario
K. Garry Cook*, Calgary, Alberta
Jeff Howe, Toronto, Ontario
Trevor Skinner*, Calgary, Alberta

* - members of the Audit Committee

Executives and Officers

H. Ronald Sterne, President & Chief Executive Officer
Jeffrey Howe, Chief Financial Officer

Auditors

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Solicitors

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Stock Exchange

The TSX Venture Exchange
Trading Symbol: LTX