

LABRADOR TECHNOLOGIES INC.

THREE MONTHS ENDED JANUARY 31, 2007

MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is prepared in accordance with National Instrument 51-102F1, and should be read in conjunction with the audited financial statements of Labrador Technologies Inc. ("LTI" or the "Corporation") for the year ended October 31, 2006. Additional information with respect to LTI can be found on the Corporation's website at www.labradortechnologies.com or on SEDAR at www.sedar.com. The reporting and measurement currency is the Canadian dollar.

Certain statements in the MD&A constitute forward-looking statements that involve various risks and uncertainties. These risks and uncertainties include, but are not restricted to, the Corporation's continuing ability to promote and license its products, the Corporation's ability to attract and retain key employees, and the Corporation's ability to raise capital on acceptable terms when needed. These uncertainties may cause actual results to differ from information contained herein. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. These forward-looking statements are based on the estimates and opinions of management on the dates they are made and are expressly qualified in their entirety by this notice.

This MD&A is dated as of March 6, 2007.

Overall Performance

CEO'S REPORT TO SHAREHOLDERS

As in past years, there is only a matter of a few weeks between our 2006 Annual Report and the reporting of 1st Quarter, 2007. Shareholders are asked to reference the CEO's Report to Shareholders in the 2006 Annual Report as a current representation of where the Company is today.

"signed"

H. Ronald Sterne
President & C.E.O.

Results of Operations

Revenue

Currently, the Corporation has no current ongoing sources of revenue, although it launched commercially its Labrador® eTriever™ software service on February 22nd, 2006.

LTI's interest income for the three month period ended January 31, 2007, was nil compared to \$1,784 for the three month period ended January 31, 2006.

Financial Summary

	Three months ended	
	January 31, 2007	January 31, 2006
Interest income	\$ —	\$ 1,784
Expenses	247,531	190,768
Net loss	(247,531)	(188,984)
Net loss per share	(0.01)	(0.02)
Outstanding shares	17,983,837	11,488,508

Expenses

General and administrative

This category of expenses is comprised primarily of office rent, office equipment rentals, administrative salaries, corporate expenses related to shareholder reporting, and professional fees. General and administrative expenses for the three month period ended January 31, 2007 were \$111,015 compared to \$107,224 for the three month period ended January 31, 2006, an increase of \$3,791. The increase is primarily due to an increase in administrative salaries.

Computer and related costs

Computer and related costs include programmers' salaries, software costs, and telecommunication costs. This category of expenses totaled \$54,288 for the three month period ended January 31, 2007 compared to \$61,003 for the three month period ended January 31, 2006, a decrease of \$6,715. The decrease is primarily due to a reduction of programmers' salaries/consulting fees.

Sales and marketing

Sales and marketing expenses include expenses for sales and support salaries/consulting fees, and promotion/advertising. For the three month period ended January 31, 2007, sales and marketing expenses were \$9,802 compared to \$16,541 for the three month period ended January 31, 2006, a decrease of \$6,739. The decrease is primarily due to a reduction in promotion expenses.

Stock-based compensation

LTI issued 225,000 share options to various employees, officers, directors and consultants during the three month period ended January 31, 2007 (2006 – nil). Stock-based compensation expense of \$69,300 was recorded for the three month period ended January 31, 2007, based on an estimate of the fair value of the options calculated using the Black-Scholes option-pricing model.

Amortization

Amortization expense for the three month period ended January 31, 2007 was \$3,126 compared to \$6,000 for the three month period ended January 31, 2006. This reduction is primarily due to no significant additions to property and equipment in the last year.

Working capital

At January 31, 2007, LTI had cash of \$191,307, no debt, and working capital of \$184,149. The Corporation has no current sources of ongoing revenue and is relying on future sales to generate additional cash. As a result, the Corporation's ability to maintain its operations in the future is dependent on its ability to generate sufficient revenue, and/or raise sufficient capital, in the future to continue to fund its strategic business plan. Please refer to "Subsequent Events" for current details on the success of LTI's February 5th, 2007 private placement announcement and the exercise of 2,000,000 share purchase warrants.

Financing and Investing

During the three month period ended January 31, 2007, the Corporation's cash position decreased by \$156,229 primarily as a result of the loss from operations. Please refer to "Subsequent Events" for details on the success of LTI's February 5th, 2007 private placement announcement and the exercise of 2,000,000 share purchase warrants.

Summary of Quarterly Results

Fiscal 2007	1-QTR	2-QTR	3-QTR	4-QTR
Expenses	247,531	N/A	N/A	N/A
Net loss	(247,531)	N/A	N/A	N/A
Net loss per share	(0.01)	N/A	N/A	N/A
Outstanding shares	17,983,837	N/A	N/A	N/A

Fiscal 2006	1-QTR	2-QTR	3-QTR	4-QTR
Revenue	1,784	—	—	1,454
Interest income	1,784	—	—	1,454
Expenses	190,768	292,541	243,308	204,953
Net income (loss)	(188,984)	(292,541)	(243,308)	(203,499)
Net income (loss) per share	(0.02)	(0.02)	(0.02)	(0.01)
Outstanding shares	11,488,508	15,794,678	16,594,016	17,863,347

Fiscal 2005	1-QTR	2-QTR	3-QTR	4-QTR
Revenue	30,987	173	590	—
Interest income	2,147	173	590	—
Consulting fees	28,840	—	—	—
Expenses	213,464	159,485	147,808	149,652
Net income (loss)	(182,477)	(159,312)	(147,218)	(149,652)
Net income (loss) per share	(0.02)	(0.02)	(0.02)	(0.01)
Outstanding shares	8,289,685	8,329,685	8,378,506	11,268,507

Liquidity and Capital Resources

At January 31, 2007, LTI had cash of \$191,307, no debt and working capital of \$184,149. On February 5, 2007, the Corporation announced a private placement for between 222,222 and 1,666,667 units at a price of \$0.45 per unit. One whole share purchase 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 subscription agreements for 224,000 units and \$100,800 in proceeds. In addition, and as at March 6, 2007, the Corporation received cash of \$400,000 from the exercise of 2,000,000 share purchase warrants. Accordingly, subsequent to January 31, 2007, the cash in the Corporation was supplemented by an aggregate additional amount of \$100,800 from the subscription of the units mentioned above and \$400,000 the exercise of share purchase warrants. As at March 6, 2007, the Corporation had a cash balance of \$564,679. The Corporation has no current sources of ongoing revenue and is relying on future sales to generate additional revenue. As a result, the Corporation's ability to maintain its operations in the future is dependent on its ability to generate sufficient cash in the future.

LTI has two contractual obligations: an operating lease for office space and a lease for a vehicle supplied to an officer of the Corporation. The office space lease is for a three-year term ending August 2009 and has a monthly cost of \$8,560. The vehicle lease is for a three-year term ending January 2010 and has a monthly cost of \$491.

Financial Instruments

As of the date of this MD&A, the Corporation has \$100,000 on deposit in a one year cashable GIC with the Royal Bank of Canada with an interest rate at prime. It is management's opinion that the Corporation is not exposed to any interest, currency or credit risk arising from this particular financial instrument and that the fair value is equal to the carrying value.

Related Party Transactions

As of the date of this MD&A, of the 2,000,000 warrants exercised, 550,000 units were exercised 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.

Outstanding Share Data

As of October 31, 2006 LTI had 17,863,347 common shares, 2,335,785 warrants and 1,380,000 options to acquire common shares outstanding.

On November 1, 2006 LTI issued 2,703 shares to an employee in lieu of salary. After the issue of shares, LTI had 17,866,050 shares outstanding.

On December 1, 2006 LTI issued 110,000 shares upon the exercise of stock options for the amount of \$13,200, and 2,703 shares to an employee in lieu of salary. After the issue of shares, LTI had 17,978,753 shares outstanding.

On January 1, 2006, LTI issued 2,703 shares to an employee in lieu of salary. After the issue of shares, LTI had 17,981,456 shares outstanding.

On January 31, 2007 LTI issued 2,381 shares to an employee in lieu of salary. After the issue of shares, LTI had 17,983,837 shares outstanding.

As of March 6, 2007 LTI had 20,210,867 common shares, 447,785 warrants and 1,255,000 options to acquire common shares outstanding.

Subsequent Events

On February 5, 2007, the Corporation announced a private placement for between 222,222 and 1,666,667 units at a price of \$0.45 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 \$0.55 per share and expires one year from the date of the private placement. As at March 6, 2007, the Corporation had received signed subscription agreements for 224,000 units and had received \$100,800 in proceeds.

In addition and as at March 6, 2007, the Corporation received \$400,000 in proceeds from the exercise of 2,000,000 share purchase warrants.

Disclosure Controls and Procedures

Management, including the Chief Executive Officer and the Chief Financial Officer, have evaluated the effectiveness of the Corporation's disclosure controls are effective in ensuring that all material information required to be filed has been made known to them in a timely fashion. The required information was effectively recorded, processed, summarized and reported within the time period necessary to prepare the annual filings. The disclosure controls and procedures are effective in ensuring that information required to be disclosed pursuant to applicable securities laws are accumulated and communicated to management,

including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Controls Over Financial Reporting

Management, including the CEO and CFO of the Corporation, are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. We have assessed the design of our internal control over financial reporting and during this process we identified certain weaknesses in internal controls over financial reporting which are as follows:

- a) due to the limited number of staff at the Corporation, it is not feasible to achieve complete segregation of incompatible duties;
- b) due to the limited number of staff, the Corporation does not have a sufficient number of finance personnel with all the technical accounting knowledge to address all complex and non-routine accounting transactions that may arise; and

Management and the board of directors works to mitigate the risk that results from these weaknesses as follows:

- a) increased oversight and diligence by the CEO, CFO and the Board to ensure that the risk of a misstatement resulting from this weakness is minimized;
- b) the Corporation will, as necessary, consider engaging qualified consultants to assist with the accounting for any complex and non-routine accounting transactions that may arise; and

H. Ronald Sterne

Jeff Howe

“signed”

“signed”

President & Chief Executive Officer
Labrador Technologies Inc.

Chief Financial Officer
Labrador Technologies Inc.