

# LABRADOR TECHNOLOGIES INC.

SIX MONTHS ENDED APRIL 30, 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](http://www.labradortechnologies.com) or on SEDAR at [www.sedar.com](http://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 June 25, 2007.

### Overall Performance

#### CEO'S REPORT TO SHAREHOLDERS

##### eTrierer™ and Its 3-D Approach to Searching, Reporting, and Exporting

As has been previously reported in its 2006 Annual Report, the Company continues to work conscientiously to ensure that eTrierer™ has "enough meat on its bones such that any Oil & Gas related companies can use it to make informed decisions". Accordingly, having combined its BlackBerry® and other PDA capabilities with its interface to both Google® Map's and Microsoft® Virtual Earth's satellite mapping, the Company has primarily focused eTrierer™ development on dramatically enhancing its query and reporting/exporting abilities.

In this regard, the Company announced on June 1<sup>st</sup>, 2007 that eTrierer's™ new Version 2.0 user interface "has significantly advanced its query, reporting, and exporting capabilities by enabling 'three dimensional' data browsing. Historically, oil and gas data retrieval applications have confined users to linear pathways. eTrierer's™ '3-D' approach to navigation allows users to switch data domains with a single click, and then drill-down and literally 'poke around', with single clicks, to various types of related information. Thus, eTrierer™ data browsing affords users the ability to break out of conventional pathways, and do precisely what any user wants to do, on the spur of the moment.

The software infrastructure to afford these capabilities is substantial, and will continue on an ongoing basis, facilitated and accelerated by the benefits of Web 2.0. The main goal of eTrierer's™ 3-D approach is to offer ease of use and productivity benefits to data browsing that will clearly surpass any conventional applications. Further, as the web environment enables LTI to release timely versions of eTrierer™, the Company will be providing monthly updates/enhancements, starting in June, to strengthen eTrierer's™ fast, friendly, flexible approach for the foreseeable future."

## Sales Revenue and Early Adopters

Again, as was reported in its 2006 Annual Report, “only revenue can re-establish the Company firmly on the corporate landscape”. In this regard, the Company announced on June 13<sup>th</sup>, 2007 that, for the first time, it was demonstrating its 3-D version of eTriever™, at the ‘GO-EXPO: Gas & Oil Exposition 2007’, in the geoLOGIC systems ltd. prominent location/booth. The “GO-EXPO Exposition” was a widely attended international exposition at Stampede Park from June 12th to June 14th. At ‘GO EXPO’, Version 2.0 of eTriever™ was used to browse and display information from geoLOGIC’s Data Center, which provides a comprehensive range of value-added data sets, supplemented by geoLOGIC’s rigorous quality control process, creating enhanced data.

The Company has tripled its sales and support staff in an effort to carry out a methodical plan to introduce eTriever™, over the summer, to a number of “early adopter” companies. The purpose of this strategy is to obtain valuable feedback to grow eTriever’s web-enabled capabilities into the type of product, which can be used for the everyday data browsing requirements of oil and gas users, who want to take advantage of the web’s unique benefits and features. Thus, the Company’s direction is to bring eTriever™ **away** from perceptions of being just another “skinny” web product, and into the mainstream of oil and gas data browsing activities, where a robust web-tool can appeal to the mass market data requirements of the oil and gas business – and suitably complement the well-established client/server products in the oil and gas marketplace.

“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 22<sup>nd</sup>, 2006.

LTI's interest income for the six month period ended April 30, 2007, was \$5 compared to \$1,784 for the six month period ended April 30, 2006.

### Financial Summary

	Three months ended		Six months ended	
	April 30 2007	April 30 2006	April 30 2007	April 30 2006
Interest income	\$ 5	—	5	1,784
Expenses	332,441	292,541	579,972	483,309
Net loss	(332,436)	(292,541)	(579,967)	(481,525)
Net loss per share	(0.02)	(0.02)	(0.03)	(0.04)
Outstanding shares	20,463,247	15,794,678	20,463,247	15,794,678

### 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 April 30, 2007 were \$172,128 compared to \$168,434 for the three month period ended April 30, 2006, an increase of \$3,694. The increase is primarily due to an increase in administration salaries.

#### Computer and related costs

Computer and related costs include programmers' salaries, software costs, and telecommunication costs. This category of expenses totaled \$69,520 for the three month period ended April 30, 2007 compared to \$92,299 for the three month period ended April 30, 2006, a decrease of \$22,779. 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 April 30, 2007, sales and marketing expenses were \$24,537 compared to \$19,108 for the three month period ended April 30, 2006, an increase of \$5,429. The increase is primarily due to an increase in support salaries/consulting fees.

#### Stock-based compensation

LTI issued 335,000 share options to various employees, officers, directors and consultants during the three month period ended April 30, 2007 (2006 – 60,000). Stock-based compensation expense of \$69,130 was recorded for the three month period ended April 30, 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 April 30, 2007 was \$3,126 compared to \$6,000 for the three month period ended April 30, 2006. This reduction is primarily due to no significant additions to property and equipment in the last year.

### Working capital

At April 30, 2007, LTI had cash of \$544,390, no debt, and working capital of \$533,269. 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.

### Financing and Investing

During the three month period ended April 30, 2007, the Corporation's cash position increased by \$353,083 as a result of the success of LTI's February 5<sup>th</sup>, 2007 private placement announcement and the exercise of 2,000,000 share purchase warrants.

## Summary of Quarterly Results

<b>Fiscal 2007</b>	<b>1-QTR</b>	<b>2-QTR</b>	<b>3-QTR</b>	<b>4-QTR</b>
Expenses	247,531	332,441	N/A	N/A
Net loss	(247,531)	(332,436)	N/A	N/A
Net loss per share	(0.01)	(0.02)	N/A	N/A
Outstanding shares	17,983,837	20,463,247	N/A	N/A

<b>Fiscal 2006</b>	<b>1-QTR</b>	<b>2-QTR</b>	<b>3-QTR</b>	<b>4-QTR</b>
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

<b>Fiscal 2005</b>	<b>1-QTR</b>	<b>2-QTR</b>	<b>3-QTR</b>	<b>4-QTR</b>
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 April 30, 2007, LTI had cash of \$544,390, no debt and working capital of \$533,269. 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 May 16, 2007, the Corporation had received signed subscription agreements for 803,556 units and \$361,600 in proceeds, of which \$213,300 had been received by April 30, 2007 through the issuance of 474,000 units. 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 April 30, 2007, the cash in the Corporation was supplemented by an aggregate additional amount of \$148,300 from the subscription of the units mentioned above. As at May 16, 2007, the Corporation had a cash balance of \$553,928. 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 \$400,000 on deposit in one year cashable GICs 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 were exercised by directors and/or officers of the Corporation for proceeds of \$110,000. During the second 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.

On March 30, 2007 LTI issued 2,380 shares to an employee in lieu of salary. After the issue of shares, LTI had 20,213,247 shares outstanding.

On April 20, 2007 LTI issued 250,000 shares to subscribers of the private placement announced on February 5, 2007. After the issue of shares, LTI had 20,463,247 shares outstanding.

As of May 16, 2007 LTI had 20,792,803 common shares, 737,563 warrants and 1,550,000 options to acquire common shares outstanding.

## Subsequent Events

In connection with the February 5<sup>th</sup>, 2007, announced private placement (see note 3b), \$148,300.20 received after April 30<sup>th</sup>, 2007.

## 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.

Financial Statements of

**LABRADOR TECHNOLOGIES INC.**

Six months ended April 30, 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 six month period ended April 30, 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 six month period ended April 30, 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.

June 25, 2007

# LABRADOR TECHNOLOGIES INC.

Balance Sheets  
(unaudited)

	April 30 2007	October 31 2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 544,390	\$ 347,536
Accounts receivable	9,614	7,458
Prepaid expenses	7,352	7,352
	561,356	362,346
Property and equipment	38,421	44,673
	\$ 599,777	\$ 407,019
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 28,087	\$ 20,292
Shareholders' equity:		
Common shares (note 3)	6,753,614	6,141,283
Share purchase warrants (note 3)	77,800	52,850
Contributed surplus (note 3)	394,487	266,838
Deficit	(6,654,211)	(6,074,244)
	571,690	386,727
Going concern (note 1)		
Subsequent events (note 6)		
	\$ 599,777	\$ 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		Six months ended	
	April 30	April 30	April 30	April 30
	2007	2006	2007	2006
<b>Expenses:</b>				
General and administrative	172,128	168,434	283,143	275,658
Computer and related costs	69,520	92,299	123,808	153,302
Sales and marketing	24,537	19,108	34,339	35,649
Stock-based compensation (note 3)	63,130	6,700	132,430	6,700
Amortization	3,126	6,000	6,252	12,000
Interest income	(5)	—	(5)	(1,784)
	332,441	292,541	579,972	483,309
Net loss	(332,436)	(292,541)	(579,967)	(481,525)
Deficit, at beginning of period	(6,321,775)	(5,334,896)	(6,074,244)	(5,145,912)
Deficit, at end of period	(6,654,211)	(5,627,437)	(6,654,211)	(5,627,437)
Net loss per share:				
Basic and diluted	\$ (0.02)	(0.02)	(0.03)	(0.04)

See accompanying notes to financial statements.

# LABRADOR TECHNOLOGIES INC.

Statements of Cash Flows  
(Unaudited)

	Three months ended		Six months ended	
	April 30 2007	April 30 2006	April 30 2007	April 30 2006
Cash provided by (used in):				
<b>Operating activities:</b>				
Net loss	\$ (332,436)	\$ (292,541)	\$ (579,967)	\$ (481,525)
Items not involving cash:				
Stock-based compensation (note 3)	63,130	6,700	132,430	6,700
Amortization	3,126	6,000	6,252	12,000
Shares for services performed	2,000	39,400	6,000	58,800
	(264,180)	(240,441)	(435,285)	(404,025)
Changes in non-cash working capital (note 4)	3,963	(4,295)	5,639	(9,256)
	(260,217)	(244,736)	(429,646)	(413,281)
<b>Investing activities:</b>				
Property and equipment purchases	—	(9,762)	—	(13,016)
<b>Financing activities:</b>				
Proceeds from exercise of options	—	4,800	13,200	4,800
Proceeds from sale of shares (note 1)	213,300	400,000	213,300	400,000
Proceeds from exercise of warrants (note 1)	400,000	—	400,000	—
	613,300	404,800	626,500	404,800
Net increase (decrease) in cash and cash equivalents	353,083	150,302	196,854	(21,497)
Cash and cash equivalents, beginning of period	191,307	84,359	347,536	256,158
Cash and cash equivalents, end of period	\$ 544,390	\$ 234,661	\$ 544,390	\$ 234,661
Cash and cash equivalents consist of:				
Cash	444,390	234,661	444,390	234,661
Short-term deposits	100,000	—	100,000	—
	\$ 544,390	234,661	544,390	234,661

See accompanying notes to financial statements.

# LABRADOR TECHNOLOGIES INC.

Notes to Financial Statements  
(unaudited)

Six months ended April 30, 2007

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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 a going concern, 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 April 30, 2007, the Corporation had cash of \$544,390, no long-term debt, and a working capital balance of \$533,269. During the six month period ended April 30, 2007, the Corporation incurred a net loss of \$579,967 and utilized funds from operations totaling \$429,646. 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 May 16, 2007, the Corporation had received signed subscriptions for 803,556 units and had received \$361,600 in proceeds, of which \$213,300 had been received by April 30, 2007 through the issuance of 474,000 units.

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 \$553,928 at May 16, 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.

The unaudited interim financial statements do not include all of the disclosures normally provided in annual financial statements and accordingly they should be read in conjunction with the audited financial statements, including the notes thereto, as at and for the year ended October 31, 2006. The unaudited interim financial statements follow the same significant accounting policies and methods of application as the most recent audited financial statements of the Corporation as at and for the year ended October 31, 2006.

## 3. Share capital:

### (a) Authorized:

Unlimited preferred shares, none of which were issued at April 30, 2007, Series A and Series B; and  
Unlimited common shares.

### (b) Common shares issued:

	Six months ended April 30, 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	474,000	185,700	4,671,571	582,200
Exercise of warrants	2,000,000	402,650	1,150,000	256,345
Shares for services performed	15,900	6,000	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	20,463,247	\$ 6,753,614	17,863,347	\$ 6,141,283

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. Once 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 April 30, 2007, the Corporation had received signed subscription agreement for 474,000 units and \$213,300 in proceeds. Of the proceeds raised, \$185,700 was allocated to common share capital and \$27,600 was allocated to share purchase warrants.

As at May 16, 2007, the Corporation had received signed subscription agreements for 803,556 units and \$361,600 in proceeds.

(c) Share purchase warrants issued:

Warrants	April 30, 2007		October 31, 2006	
	Number of warrants	Amount	Number of warrants	Amount
Balance, beginning of period	2,335,785	\$ 52,850	1,375,000	\$ 31,500
Sale of units	237,000	27,600	2,335,785	52,850
Exercise of warrants	(2,000,000)	(2,650)	(1,150,000)	(26,345)
Expired warrants	—	—	(225,000)	(5,155)
Balance, end of period	572,785	\$ 77,800	2,335,785	\$ 52,850

Of the 2,000,000 warrants exercised in the six months ended April 30, 2007, 550,000 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	\$ 0.12 – 0.43	\$ 0.37
Granted	560,000	0.50	0.50
Expired	(280,000)	0.12 – 0.35	0.33
Exercised	(110,000)	0.12	0.12
Outstanding at April 30, 2007	1,550,000	\$ 0.12 – 0.50	\$ 0.44

Exercise price	Number of Options	Weighted average remaining contractual life (months)
\$ 0.12	40,000	13
0.20	60,000	47
0.50	225,000	20
0.43	890,000	27
0.50	275,000	22
0.50	60,000	36
Stock options outstanding at April 30, 2007	1,550,000	26
Exercisable at April 30, 2007	546,667	26

(e) Stock-based compensation:

During the six month period ended April 30, 2007, 560,000 (2006 – 60,000) stock options were granted to employees, officers, consultants and directors of the Corporation. Of the 560,000 stock options granted, 150,000 stock options vested immediately, 50,000 vest within 6 months, 217,500 stock options vest within 12 months and the remaining 142,500 vest within 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 Apr 30 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	3 years	3 - 5 years
Weighted average option value	\$ 0.25	\$ 0.25

(f) Contributed surplus:

	Apr 30, 2007	Oct 31, 2006
Beginning of period	\$ 266,838	\$ 227,814
Stock-based compensation	132,430	44,699
Expired warrants	—	5,155
Exercise of options	(4,781)	(10,830)
End of period	\$ 394,487	\$ 266,838

(g) Per share amounts:

The weighted average number of common shares outstanding during the six month period ended April 30, 2007 was 18,824,776 (2006 – 12,827,009).

There was no dilutive effect of options and warrants for the six month periods ended April 30, 2007 and 2006.

**4. Supplemental cash flow disclosure:**

Changes in non-cash working capital are as follows:

	3 months ended April 30 2007	6 months ended April 30 2007
Accounts receivable	\$ 4,149	\$ (2,156)
Accounts payable and accrued liabilities	(186)	7,795
	\$ 3,963	\$ 5,639

**5. Fair values:**

As at April 30, 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:**

In connection with the February 5<sup>th</sup>, 2007, announced private placement (see note 3b), \$148,300.20 received after April 30<sup>th</sup>, 2007.

**7. Related party transactions:**

Of the 2,000,000 warrants exercised, 550,000 were exercised (note 3) by directors and/or officers of the Corporation for proceeds of \$110,000.

During the second 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](http://www.labradortechnologies.com).

### **Head Office**

Labrador Technologies Inc.  
350, 229 – 11<sup>th</sup> Avenue S.E.  
Calgary, Alberta, Canada T2G 0Y1

### **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**

KMPG LLP  
Chartered Accountants  
2700, 205 – 5<sup>th</sup> Avenue S.W.  
Calgary, Alberta, Canada T2P 4B9

### **Transfer Agent**

Computershare Trust Company of Canada  
Sixth Floor  
530 – 8<sup>th</sup> Avenue S.W.  
Calgary, Alberta, Canada T2P 3S8

### **Solicitors**

Burstall Winger LLP  
Barristers & Solicitors  
Suite 3100 Home Oil Tower  
324 – 8<sup>h</sup> Avenue S.W.  
Calgary, Alberta, Canada T2P 2Z2

### **Stock Exchange**

The TSX Venture Exchange  
Trading Symbol: LTX