

Financial Statements of

**LABRADOR TECHNOLOGIES INC.**

Nine months ended July 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 nine month period ended July 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 nine month period ended July 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.

September 25, 2007

# LABRADOR TECHNOLOGIES INC.

Balance Sheets  
(unaudited)

	July 31 2007	October 31 2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 412,586	\$ 347,536
Accounts receivable	20,394	7,458
Prepaid expenses	7,128	7,352
	440,108	362,346
Property and equipment	36,772	44,673
	\$ 476,880	\$ 407,019
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 20,332	\$ 20,292
Shareholders' equity:		
Common shares (note 3)	6,882,696	6,141,283
Share purchase warrants (note 3)	97,018	52,850
Contributed surplus (note 3)	452,094	266,838
Deficit	(6,975,260)	(6,074,244)
	456,548	386,272
Going concern (note 1)		
	\$ 476,880	\$ 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		Nine months ended	
	July 31	July 31	July 31	July 31
	2007	2006	2007	2006
<b>Expenses:</b>				
General and administrative	149,065	113,689	432,209	389,347
Computer and related costs	87,661	89,305	211,468	242,605
Sales and marketing	27,654	34,314	61,993	69,964
Stock-based compensation (note 3)	57,607	—	190,037	6,700
Amortization	3,126	6,000	9,378	18,000
Interest	(4,064)	—	(4,069)	(1,783)
	321,049	243,308	901,016	726,616
Net loss	(321,049)	(243,308)	(901,016)	(724,833)
Deficit, at beginning of period	(6,654,211)	(5,627,437)	(6,074,244)	(5,145,912)
Deficit, at end of period	(6,975,260)	(5,870,745)	(6,975,260)	(5,870,745)
Net loss per share:				
Basic and diluted	\$ (0.02)	(0.02)	(0.04)	(0.05)

See accompanying notes to financial statements.

# LABRADOR TECHNOLOGIES INC.

Statements of Cash Flows  
(Unaudited)

	Three months ended		Nine months ended	
	July 31	July 31	July 31	July 31
	2007	2006	2007	2006
Cash provided by (used in):				
<b>Operating activities:</b>				
Net loss	\$ (321,049)	\$ (243,308)	\$ (901,016)	\$ (724,833)
Items not involving cash:				
Stock-based compensation	57,607	—	190,037	6,700
Amortization	3,126	6,000	9,378	18,000
Shares for services performed	—	31,000	6,000	89,800
	(260,316)	(206,308)	(695,601)	(610,333)
Changes in non-cash working capital (note 4)	(18,311)	6,342	(12,672)	(2,914)
	(278,627)	(199,966)	(708,273)	(613,247)
<b>Investing activities:</b>				
Property and equipment purchases	(1,477)	—	(1,477)	(13,016)
<b>Financing activities:</b>				
Proceeds from exercise of options	—	5,400	13,200	10,200
Proceeds from sale of shares	148,300	160,000	361,600	560,000
Proceeds from exercise of warrants	—	40,000	400,000	40,000
	148,300	205,400	774,800	610,200
Net increase (decrease) in cash and cash equivalents	(131,804)	5,434	65,050	(16,063)
Cash and cash equivalents, beginning of period	544,390	234,661	347,536	256,158
Cash and cash equivalents, end of period	\$ 412,586	\$ 240,095	\$ 412,586	\$ 240,095
Cash and cash equivalents consist of:				
Cash	112,586	140,095	112,586	140,095
Short-term deposits	300,000	100,000	300,000	100,000
	\$ 412,586	240,095	412,586	240,095

See accompanying notes to financial statements.

# LABRADOR TECHNOLOGIES INC.

Notes to Financial Statements  
(unaudited)

Nine months ended July 31, 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 July 31, 2007, the Corporation had cash of \$412,586, no long-term debt, and a working capital balance of \$419,776. During the three month period ended July 31, 2007, the Corporation incurred a net loss of \$321,049 and utilized funds from operations totaling \$708,273.

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, 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 disclosure 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 July 31, 2007, Series A and Series B; and  
Unlimited common shares.

(b) Common shares issued:

	Nine months ended July 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	803,556	314,782	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	20,792,803	\$ 6,882,696	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 May 16, 2007, the Corporation had received signed subscription agreements for 803,556 units and \$361,600 in proceeds. Of the proceeds raised, \$314,782 was allocated to common share capital and \$46,818 was allocated to share purchase warrants.

(c) Share purchase warrants issued:

	July 31, 2007		October 31, 2006	
	Number of warrants	Amount	Number of warrants	Amount
Warrants				
Balance, beginning of period	2,335,785	\$ 52,850	1,375,000	\$ 31,500
Sale of units	401,778	46,818	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	737,563	\$ 97,018	2,335,785	\$ 52,850

Of the 2,000,000 warrants exercised in the nine months ended July 31, 2007, 550,000 were exercised by directors and/or officers of the Corporation for total proceeds of \$110,000.

(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	820,000	0.50	0.50
Expired	(280,000)	\$ 0.12 – 0.35	0.33
Exercised	(110,000)	0.12	0.12
Outstanding at July 31, 2007	1,810,000	\$ 0.12 – 0.50	\$ 0.46

Exercise price	Number of Options	Weighted average remaining contractual life (months)
\$ 0.12	40,000	10
0.20	60,000	44
0.50	225,000	17
0.43	890,000	24
0.50	275,000	19
0.50	60,000	21
0.50	140,000	35
0.50	120,000	35
Stock options outstanding at July 31, 2007	1,810,000	27
Exercisable at July 31, 2007	923,333	15

(e) Stock-based compensation:

During the nine month period ended July 31, 2007, 820,000 (2006 – 950,000) stock options were granted to employees, officers, consultants and directors of the Corporation. Of the 820,000 stock options granted, 150,000 stock options vested immediately, 50,000 vest within 6 months, 347,500 stock options vest within 12 months and the remaining 272,500 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 Jul 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	3 years	3 - 5 years
Weighted average option value	\$ 0.21	\$ 0.25

(f) Contributed surplus:

	Jul 31, 2007	Oct 31, 2006
Beginning of period	\$ 266,838	\$ 227,814
Stock-based compensation	190,037	44,699
Expired warrants	—	5,155
Exercise of options	(4,781)	(10,830)
End of period	\$ 452,094	\$ 266,838

(g) Per share amounts:

The weighted average number of common shares outstanding during the nine month period ended July 31, 2007 was 19,476,479 (2006 – 16,594,016).

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

**4. Supplemental cash flow disclosure:**

Changes in non-cash working capital are as follows:

	3 months ended July 31 2007	9 months ended July 31 2007
Prepaid expenses	\$ 224	\$ 224
Accounts receivable	\$ (10,780)	\$(12,936)
Accounts payable and accrued liabilities	(7,755)	40
	\$ (18,311)	(12,672)

**5. Fair values:**

As at July 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. Related party transactions:**

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

During the third quarter, \$7500 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

# LABRADOR TECHNOLOGIES INC.

NINE MONTHS ENDED JULY 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](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 September 25, 2007.

### Overall Performance

#### CEO'S REPORT TO SHAREHOLDERS

##### eTriever™ Aggressively Expands Its 3-D Approach to Searches, Reports, Graphs, and Exports

In its 2<sup>nd</sup> Quarter Report, the Company announced its unique "3-D" user navigation advantages, allowing eTriever™ users to search databases extensively, and do innovative types of reporting/graphing/exporting, at will, with minimal clicks – using satellite mapping imagery as a backdrop. Although, as reported, the intricate software infrastructure to support this leading edge capability is substantial, and has, accordingly, slowed commercial releases, the industry feedback to our continuing progress has strongly endorsed eTriever™'s market "positioning". Fortunately, in a very tight job market, we have been able to attract additional staff in order to accelerate eTriever™'s software development.

##### eTriever™ Data Browsing and Market Positioning

eTriever™ is already much more than a conventional browser – it has breadth, depth, and graphical power. eTriever™ "data browsing" is intended to allow users to break out of conventional pathways/tunnels, and do, on the spur of the moment, **precisely what any user wants to do, short of analytical work**. By "short of analytical work", we mean that we intend to provide every type of data browsing capability imaginable, using Google® Map and Microsoft®'s Virtual Earth satellite imagery as alternative mapping backdrops, **up to the point** where a user wants to do analytical work, using Excel™, any form of decline analysis, and any of the types of geological analysis provided by such products as geoSCOUT™, etcetera. With a single click, users can export their data from eTriever™ to Excel™, and any other analytical or presentation mapping product, upon request. But, our market research has been clear – users want these abilities to be provided in the web environment, via "thin client", NOT "thick client". eTriever™ is a thin client offering, which is why it works so well with mobile devices, such as BlackBerries®.

## **Precisely What Any User Wants to Do, Defined**

27 years of experience has taught us that mainstream oil & gas users want to be able to meaningfully browse a cross-section of inter-related databases, using virtually unlimited search capabilities, then view the data, graphically and/or in tabular form, and then be able to create subsets of data, of particular interest, being then able to export these data subsets to any analytical product of choice. This “viewing” of the data may be in graphical representations unique to eTriever™, such as the events (work-overs, etcetera) displayed in the “production life” of a well, added to a growing list of all of the conventional capabilities, such as well lists, tickets, production reports/graphs, and the like, with lots of “webby” advantages, facilitated by Web 2.0.

## **eTriever’s Cross-Over to Mainstream**

We believe that the now robust web environment provides distinct advantages over conventional client/server Desktop applications. It minimizes maintenance and maximizes mobility and flexibility, in a world where the Smartphone/BlackBerry have become a way of life. As well, our prospects have confirmed that eTriever™’s “friendly” user interface surpasses anything available. Further, not only are we adding weekly the types of day-to-day capabilities that oil & gas mainstream users insist on, we have also made eTriever™’s fully scalable interface look/feel like a Desktop application. In essence, we are combining all of the advantages of a “thin client” web application, with an innovative approach to representing oil & gas data, which will satisfy all of the historical Desktop requirements, and then go beyond. Frankly speaking, that is what we have learned that the market requires, and that is what we will provide.

## **Delays Are Unfortunate But...**

Delays are unfortunate, but we have also steadfastly resisted prematurely pushing our software out the door (which is an excellent way to spoil your market), and hyping our company in any way. We have been fortunate enough to attract very talented personnel, and we have focused on building a sound, generic software infrastructure, which is leverageable, in a potentially (highly) profitable manner. And, we have done all of this and still kept a steel-fist grip on our burn-rate. Now, the web environment, thanks to Google® et al, is finally robust enough to satisfy the particular demands of the oil & gas industry, as well as those of other verticals for which eTriever/Labrador are well suited. Our positioning is sound, and we intend to initiate aggressive marketing of eTriever in our 1<sup>st</sup> Quarter of fiscal 2008 (November 1<sup>st</sup> to January 31<sup>st</sup>).

“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 nine month period ended July 31, 2007, was \$4,069 compared to \$1,783 for the nine month period ended July 31, 2007.

### Financial Summary

		Three months ended		Nine months ended	
		July 31	July 31	July 31	July 31
		2007	2006	2007	2006
Interest income	\$	4,064	—	4,069	1,783
Expenses		321,049	243,308	901,016	726,616
Net loss		(321,049)	(243,308)	(901,016)	(724,833)
Net loss per share		(0.02)	(0.02)	(0.04)	(0.05)
Outstanding shares		20,792,803	16,594,016	20,792,803	16,594,016

### 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 July 31, 2007 were \$149,065 compared to \$113,689 for the three month period ended July 31, 2006, an increase of \$35,376. 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 \$87,661 for the three month period ended July 31, 2007 compared to \$89,305 for the three month period ended July 31, 2006, a decrease of \$1,644. 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 July 31, 2007, sales and marketing expenses were \$27,654 compared to \$34,314 for the three month period ended July 31, 2006, a decrease of \$6,660. The decrease is primarily due to a decrease in support salaries/consulting fees.

#### Stock-based compensation

LTI issued 260,000 share options to various employees, officers, directors and consultants during the three month period ended July 31, 2007 (2006 – 950,000). Stock-based compensation expense of \$57,607 was recorded for the three month period ended July 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 July 31, 2007 was \$3,126 compared to \$6,000 for the three month period ended July 31, 2006. This reduction is primarily due to no significant additions to property and equipment in the last year.

**Working capital**

At July 31, 2007, LTI had cash of \$412,586, no debt, and working capital of \$419,776. 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.

**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	321,049	N/A
Net loss	(247,531)	(332,436)	(321,049)	N/A
Net loss per share	(0.01)	(0.02)	(0.02)	N/A
Outstanding shares	17,983,837	20,463,247	20,792,803	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 loss	(188,984)	(292,541)	(243,308)	(203,499)
Net 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 loss	(182,477)	(159,312)	(147,218)	(149,652)
Net 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 July 31, 2007, LTI had cash of \$412,586, no debt and working capital of \$419,776. 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. 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 \$8,624. 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 \$300,000 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 units were exercised by directors and/or officers of the Corporation. During the third quarter, \$7,750 in consulting fees was paid to a director of the Corporation. This was measured at the exchange amount.

## **Outstanding Share Data**

On May 2, 2007 LTI issued 105,556 shares to subscribers of the private placement announced on February 5, 2007. After the issue of shares, LTI had 20,568,803 shares outstanding.

On May 16, 2007 LTI issued 224,000 shares to subscribers of the private placement announced on February 5, 2007. After the issue of shares, LTI had 20,792,803 shares outstanding.

As of July 31, 2007 LTI had 20,792,803 common shares, 737,563 warrants and 1,810,000 options to acquire common shares outstanding.

## **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.

H. Ronald Sterne

Jeff Howe

“signed”

“signed”

President & Chief Executive Officer  
Labrador Technologies Inc.

Chief Financial Officer  
Labrador Technologies Inc.