

Financial Statements of

**LABRADOR TECHNOLOGIES INC.**

Three months ended January 31, 2008 and 2007

## **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, 2008.

## **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, 2008 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.

H. Ronald Sterne  
President & Chief Executive Officer  
Labrador Technologies Inc.

Jeffrey Howe  
Chief Financial Officer  
Labrador Technologies Inc.

March 20, 2008

# LABRADOR TECHNOLOGIES INC.

Balance Sheets  
(Unaudited)

	January 31 2008	October 31 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 67,184	\$ 163,767
Accounts receivable	6,823	20,919
Prepaid expenses	7,352	7,352
	81,359	192,038
Property and equipment	32,328	34,462
	\$ 113,687	\$ 226,500
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 80,878	\$ 75,467
Shareholders' equity:		
Common shares (note 3)	6,946,411	6,840,197
Share purchase warrants (note 3)	93,636	93,636
Contributed surplus (note 3)	555,776	554,083
Deficit	(7,563,014)	(7,336,883)
	32,809	151,033
Going concern (note 1)		
Subsequent events (note 6)		
	\$ 113,687	\$ 226,500

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 2008	January 31 2007
Expenses:		
General and administrative	82,150	111,015
Computer and related costs	79,812	54,288
Marketing and sales	60,601	9,802
Stock-based compensation (note 3)	1,693	69,300
Amortization	2,134	3,126
Interest income	(259)	—
	226,131	247,531
Net loss	(226,131)	(247,531)
Deficit, at beginning of period	(7,336,883)	(6,074,244)
Deficit, at end of period	\$ (7,563,014)	\$ (6,321,775)
Net loss per share:		
Basic and diluted	\$ (0.01)	\$ (0.01)

See accompanying notes to financial statements.

# LABRADOR TECHNOLOGIES INC.

## Statements of Cash Flows

(Unaudited)

	Three months ended	
	January 31 2008	January 31 2007
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (226,131)	\$ (247,531)
Items not involving cash:		
Stock-based compensation	1,693	69,300
Amortization	2,134	3,126
Shares for services performed	6,214	4,000
	(216,090)	(171,105)
Changes in non-cash working capital (note 4)	19,507	1,676
	(196,583)	(169,429)
Financing activities:		
Proceeds from the exercise of options	—	13,200
Subscriptions received (note 3)	100,000	—
Decrease in cash and cash equivalents	(96,583)	(156,229)
Cash and cash equivalents, beginning of period	163,767	347,536
Cash and cash equivalents, end of period	\$ 67,184	\$ 191,307
<b>Cash and cash equivalents consist of:</b>		
Cash	67,184	91,307
Short-term deposits	—	100,000
	\$ 67,184	\$ 191,307

See accompanying notes to financial statements.

# LABRADOR TECHNOLOGIES INC.

Notes to Financial Statements  
(Unaudited)

Three months ended January 31, 2008 and 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 applicable to a going concern, which assume that the Corporation 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 Corporation's ability to maintain its current level of operations is dependent upon 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, 2008, the Corporation had cash of \$67,184 and no long-term debt. During the three month period ended January 31, 2008, the Corporation incurred a net loss of \$226,131 and utilized funds in operations totaling \$196,583. The Corporation announced a private placement for between 2,000,000 and 6,000,000 units at \$0.25 per unit with an expected closing date of April 21, 2008. 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 \$0.45 per share and expires one year from the closing date of the private placement. As at March 31, 2008, the Corporation had received signed subscriptions for 3,200,000 units and had received \$800,000 in proceeds. \$100,000 of these proceeds, representing 400,000 units, had been received as at January 31, 2008.

While management believes that the Corporation will have 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 raising of sufficient capital and the development and marketing of the Corporation's data retrieval technology 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, adjustments would 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 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, 2007. 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, 2007.

**3. Share capital:**

(a) Authorized:

Unlimited preferred shares, none of which were issued at January 31, 2008, Series A and Series B; and Unlimited common shares.

(b) Common shares issued:

	Three months ended January 31, 2008		Year ended October 31, 2007	
	Number of shares	Amount	Number of shares	Amount
Common shares				
Balance, beginning of period	20,808,872	\$ 6,840,197	17,863,347	\$ 6,141,283
Sale of units	—	—	803,556	267,964
Exercise of warrants	—	—	2,000,000	402,650
Shares for services performed	22,273	6,214	31,969	10,319
Exercise of options	—	—	110,000	13,200
Transfer from contributed surplus on exercise of stock options	—	—	—	4,781
Balance	20,831,145	6,846,411	20,808,872	6,840,197
Subscriptions received (note 6)	400,000	100,000	—	—
Balance, end of period	21,231,145	\$ 6,946,411	20,808,872	\$ 6,840,197

(c) Share purchase warrants issued:

	Three months ended January 31, 2008		Year ended October 31, 2007	
	Number of warrants	Amount	Number of warrants	Amount
Warrants				
Balance, beginning of period	803,555	\$ 93,636	2,335,785	\$ 52,850
Sale of units	—	—	803,556	93,636
Exercise of warrants	—	—	(2,000,000)	(2,650)
Expired warrants	—	—	(335,786)	(50,200)
Balance, end of period	803,555	\$ 93,636	803,555	\$ 93,636

(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, 2007	1,620,000	\$ 0.12 – 0.50	\$ 0.44
Granted	60,000	0.50	0.50
Cancelled	(120,000)	0.50	0.50
Outstanding at January 31, 2008	1,560,000	\$ 0.12 – 0.50	\$ 0.45

Exercise price	Number of Options	Weighted average remaining contractual life (months)
\$ 0.12	40,000	4
0.50	225,000	11
0.50	175,000	13
0.43	800,000	18
0.50	60,000	27
0.50	140,000	28
0.50	60,000	31
0.50	60,000	36
Stock options outstanding at January 31, 2008	1,560,000	21
Exercisable at January 31, 2008	1,215,000	13

(e) Stock-based compensation:

During the three month period ended January 31, 2008, 60,000 stock options (2007 – 225,000) were granted to employees, officers, consultants and directors of the Corporation. Of the 60,000 stock options granted, 30,000 stock options vest in 12 months and the remaining 30,000 vest in 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 2008	Issued in the year ended Oct 31 2007
Dividend yield	0%	0%
Expected volatility	90%	90%
Risk free rate of return	5%	5%
Expected option life	3 years	3 years
Weighted average option value	\$ 0.50	\$ 0.50

(f) Contributed surplus:

	Jan 31, 2008	Oct 31, 2007
Beginning of period	\$ 554,083	\$ 266,838
Stock-based compensation	1,693	241,826
Expired warrants	—	50,200
Exercise of options	—	(4,781)
End of period	\$ 555,776	\$ 554,083

(g) Per share amounts:

The weighted average number of common shares outstanding during the three month period ended January 31, 2008 was 20,818,795 (2007 – 18,004,176).

There was no dilutive effect of options and warrants for the three month periods ended January 31, 2008 and 2007.

**4. Supplemental cash flow disclosure:**

Changes in non-cash working capital are as follows:

	January 31 2008	January 31 2007
Accounts receivable	\$ 14,096	\$ (6,305)
Accounts payable and accrued liabilities	5,411	7,981
	\$ 19,507	\$ 1,676

**5. Fair values:**

As at January 31, 2008, 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:**

The Corporation announced a private placement for between 2,000,000 and 6,000,000 units at \$0.25 per unit with an expected closing date of April 21, 2008. 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 \$0.45 per share and expires one year from the closing date of the private placement. As at March 31, 2008, the Corporation had received signed subscriptions for 3,200,000 units and had received \$800,000 in proceeds of which \$700,000, representing 2,800,00 units, were received after January 31, 2008.

**7. Related party transactions:**

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](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