

Financial Statements of

LABRADOR TECHNOLOGIES INC.

As at and for the three and six month periods ended April 30, 2008 and 2007

(Unaudited)

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 as at and for the three and six month periods ended April 30, 2008 and 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, 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.

June 25, 2008

LABRADOR TECHNOLOGIES INC.

Balance Sheets
(Unaudited)

	April 30 2008	October 31 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 511,435	\$ 163,767
Accounts receivable	8,280	20,919
Prepaid expenses	7,352	7,352
	527,067	192,038
Property and equipment	29,080	34,462
	\$ 556,147	\$ 226,500
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 27,500	\$ 75,467
Shareholders' equity:		
Common shares (note 3)	7,662,021	6,840,197
Share purchase warrants (note 3)	134,636	93,636
Contributed surplus (note 3)	559,786	554,083
Deficit	(7,827,796)	(7,336,883)
	528,647	151,033
Going concern (note 1)		
Subsequent events (note 6)		
	\$ 556,147	\$ 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		Six months ended	
	April 30 2008	April 30 2007	April 30 2008	April 30 2007
Expenses:				
General and administrative	\$ 103,742	172,128	185,892	283,143
Computer and related costs	86,041	69,520	165,853	123,808
Sales and marketing	66,722	24,537	127,323	34,339
Stock-based compensation (note 3)	4,009	63,130	5,703	132,430
Amortization	4,268	3,126	6,401	6,252
Interest income	—	(5)	(259)	(5)
	264,782	332,436	490,913	579,967
Net loss	(264,782)	(332,436)	(490,913)	(579,967)
Deficit, at beginning of period	(7,563,014)	(6,321,775)	(7,336,883)	(6,074,244)
Deficit, at end of period	(7,827,796)	(6,654,211)	(7,827,796)	(6,654,211)
Net loss per share:				
Basic and diluted	\$ (0.01)	(0.02)	(0.02)	(0.02)

See accompanying notes to financial statements.

LABRADOR TECHNOLOGIES INC.

Statements of Cash Flows
(Unaudited)

	Three months ended		Six months ended	
	April 30 2008	April 30 2007	April 30 2008	April 30 2007
Cash provided by (used in):				
Operating activities:				
Net loss	\$ (264,782)	\$ (332,436)	\$ (490,913)	\$ (579,967)
Items not involving cash:				
Stock-based compensation	4,009	63,130	5,703	132,430
Amortization	4,268	3,126	6,401	6,252
Shares for services performed	6,610	2,000	12,824	6,000
	(249,895)	(264,180)	(465,985)	(435,285)
Changes in non-cash working capital (note 4)	(54,835)	3,963	(35,328)	5,639
	(304,730)	(260,217)	(501,313)	(429,646)
Investing activities:				
Property and equipment purchases	(1,019)	—	(1,019)	—
Financing activities:				
Proceeds from exercise of options	—	—	—	13,200
Proceeds from sale of shares and warrants (note 1)	750,000	213,300	850,000	213,300
Proceeds from exercise of warrants	—	400,000	—	400,000
	750,000	613,300	850,000	626,500
Net increase in cash and cash equivalents	444,251	353,083	347,668	196,854
Cash and cash equivalents, beginning of period	67,184	191,307	163,767	347,536
Cash and cash equivalents, end of period	\$ 511,435	\$ 544,390	\$ 511,435	\$ 544,390
Cash and cash equivalents consist of:				
Cash	61,435	444,390	61,435	444,390
Short-term deposits	450,000	100,000	450,000	100,000
	\$ 511,435	\$ 544,390	\$ 511,435	\$ 544,390

See accompanying notes to financial statements.

LABRADOR TECHNOLOGIES INC.

Notes to Financial Statements
(Unaudited)

As at and for the three and six month periods ended April 30, 2008 and 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 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 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, 2008, the Corporation had cash of \$511,435 and no long-term debt. During the six month period ended April 30, 2008, the Corporation incurred a net loss of \$490,913 and utilized funds from operations totaling \$501,313. The Corporation announced a private placement on February 25, 2008 for between 2,000,000 and 6,000,000 units at \$0.25 per unit with an expected closing date of May 19, 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 April 30, 2008, the Corporation had received \$850,000 in proceeds through the issuance of 3,400,000 units.

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, except as noted below.

As of November 1, 2007, the Corporation has adopted CICA Handbook Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation". The new standards have been adopted on a prospective basis with no restatement of prior periods. Section 1535 requires additional disclosures regarding the Corporation's capital management (note 9), while Section 3862 addresses financial instruments and the nature, extent and management of risks arising from financial instruments to which the Corporation may be exposed (note 8). The adoption of Section 3863 had no effect on the presentation of the Corporation's financial instruments.

3. Share capital:

(a) Authorized:

Unlimited preferred shares, none of which were issued at April 30, 2008, Series A and Series B; and unlimited common shares.

(b) Common shares issued:

	Six months ended		Year ended	
	April 30, 2008		October 31, 2007	
Common shares	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	20,808,872	\$ 6,840,197	17,863,347	\$ 6,141,283
Sale of units	3,400,000	809,000	803,556	267,964
Exercise of warrants	—	—	2,000,000	402,650
Shares for services performed	59,050	12,824	31,969	10,319
Exercise of options	—	—	110,000	13,200
Transfer from contributed surplus on exercise of stock options	—	—	—	4,781
Balance, end of period	24,267,922	\$ 7,662,021	20,808,872	\$ 6,840,197

The Corporation announced a private placement on February 25, 2008 for between 2,000,000 and 6,000,000 units at \$0.25 per unit with an expected closing date of May 19, 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 April 30, 2008, the Corporation had received \$850,000 in proceeds and had issued 3,400,000 units. Of the proceeds raised, \$809,000 was allocated to common share capital and \$41,000 was allocated to share purchase warrants.

(c) Share purchase warrants issued:

Warrants	April 30, 2008		October 31, 2007	
	Number of warrants	Amount	Number of warrants	Amount
Balance, beginning of period	803,555	\$ 93,636	2,335,785	\$ 52,850
Sale of units	1,700,000	41,000	803,556	93,636
Exercise of warrants	—	—	(2,000,000)	(2,650)
Expired warrants	—	—	(335,786)	(50,200)
Balance, end of period	2,503,555	\$ 134,636	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	\$ 0.46
Granted	260,000	0.35 – 0.50	0.44
Forfeited	(205,000)	0.43 – 0.35	0.49
Outstanding at April 30, 2008	1,675,000	\$ 0.12 – 0.50	\$ 0.45

Exercise price	Number of Options	Weighted average remaining contractual life (months)
\$ 0.12	40,000	1
0.50	225,000	8
0.50	125,000	10
0.43	765,000	15
0.50	60,000	24
0.50	140,000	25
0.50	60,000	28
0.50	160,000	33
0.35	100,000	35
Stock options outstanding at April 30, 2008	1,675,000	18
Exercisable at April 30, 2008	1,297,500	15

(e) Stock-based compensation:

During the six month period ended April 30, 2008, 260,000 (2007 – 560,000) stock options were granted to employees, officers, consultants and directors of the Corporation. Of the 260,000 stock options granted, 50,000 stock options vested immediately, 130,000 stock options vest within 12 months and the remaining 80,000 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 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	\$ 0.45	\$ 0.50

(f) Contributed surplus:

	Apr 30, 2008	Oct 31, 2007
Beginning of period	\$ 554,083	\$ 266,838
Stock-based compensation	5,703	241,826
Expired warrants	—	50,200
Exercise of options	—	(4,781)
End of period	\$ 559,786	\$ 554,083

(g) Per share amounts:

The weighted average number of common shares outstanding during the six month period ended April 30, 2008 was 21,003,669 (2007 – 18,824,776).

There was no dilutive effect of options and warrants for the six month periods ended April 30, 2008 and 2007.

4. Supplemental cash flow disclosure:

Changes in non-cash working capital are as follows:

	3 months ended April 30 2008	6 months ended April 30 2008
Accounts receivable	\$ (1,457)	\$ 12,639
Accounts payable and accrued liabilities	(53,378)	(47,967)
	\$ (54,835)	\$ (35,328)

5. Fair values:

As at April 30, 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:

On May 19, 2008, the Corporation closed the private placement that was announced on February 25, 2008. No additional units were issued under this private placement.

A new private placement for between 2,000,000 and 6,000,000 units at a price of \$0.25 per unit was announced on May 26, 2008. Each unit consists of one common share and one-half share purchase warrant. Each 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. As at June 25, 2008, the Corporation had received signed subscription agreements for 200,000 units and \$50,000 in proceeds all of which were received after April 30, 2008.

The Corporation received consent from the TSX Venture Exchange to extend the expiry date of 803,556 share purchase warrants that would otherwise have expired on May 19, 2008. These warrants, entitling the holder to purchase one common share of the Corporation at \$0.55, will now expire on May 19, 2009.

In addition, and as of May 30, 2008, the Corporation received cash of \$4,800 from the exercise of 40,000 stock options subsequent to April 30, 2008. These options were exercised by a director of the Corporation.

7. Related party transactions:

Of the 200,000 stock options granted in the three month period ended April 30, 2008, 100,000 stock options were granted to a director of the Corporation.

8. Financial Instruments and Financial Risk Management

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments.

9. Capital Management

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern so that it can continue to see to provide returns for shareholders and other stakeholders, to maintain an optimal structure to reduce the cost of capital and to facilitate the growth strategy of the Corporation.

The Corporation monitors its capital management through analysis of near-term and mid-term cash flow expectations to ensure an adequate amount of liquidity and through the monthly review of financial results and business expectations. The Corporation considers the shareholders' equity to be the capital of the Corporation.

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
Jeffrey 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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Chartered Accountants
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Transfer Agent

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Solicitors

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Stock Exchange

The TSX Venture Exchange
Trading Symbol: LTX