

Financial Statements of

**LABRADOR TECHNOLOGIES INC.**

Three months ended January 31, 2009 and 2008

## **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, 2009.

## **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, 2009 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 31, 2009

# LABRADOR TECHNOLOGIES INC.

Balance Sheets  
(Unaudited)

	January 31 2009	October 31 2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,372	\$ 107,239
Accounts receivable	11,859	9,786
Prepaid expenses	11,162	16,904
	32,393	133,929
Property and equipment	45,929	34,400
	\$ 78,322	\$ 168,329
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 192,076	\$ 113,558
Deferred revenue	4,583	-
	196,659	113,558
Shareholders' equity:		
Common shares (note 3)	8,031,302	7,827,902
Share purchase warrants (note 3)	135,466	135,466
Contributed surplus (note 3)	567,535	564,517
Deficit	(8,852,640)	(8,473,114)
	(118,337)	54,771
Going concern (note 1)		
Subsequent events (note 6)		
	\$ 78,322	\$ 168,329

See accompanying notes to financial statements.

On behalf of the Board:

H. Ronald Sterne  
Director

George Wilson  
Director

# LABRADOR TECHNOLOGIES INC.

## Statements of Operations and Deficit

(Unaudited)

	Three months ended	
	January 31 2009	January 31 2008
Revenue		
License fees	1,875	—
Expenses:		
General and administrative	115,344	82,150
Computer and related costs	179,480	79,812
Marketing and sales	80,057	60,601
Stock-based compensation (note 3)	3,018	1,693
Amortization	3,510	2,134
Interest income	(8)	(259)
	381,401	226,131
Net loss	(379,526)	(226,131)
Deficit, at beginning of period	(8,473,114)	(7,336,883)
Deficit, at end of period	\$ (8,852,640)	\$ (7,563,014)
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 2009	January 31 2008
Cash provided by (used in):		
<b>Operating activities:</b>		
Net loss	\$ (379,526)	\$ (226,131)
Items not involving cash:		
Stock-based compensation	3,018	1,693
Amortization	3,510	2,134
Shares for services performed	3,400	6,214
	<u>(369,598)</u>	<u>(216,090)</u>
Changes in non-cash working capital (note 4)	86,770	19,507
	<u>(282,828)</u>	<u>(196,583)</u>
<b>Investing activities:</b>		
Property and equipment purchases	(15,039)	—
<b>Financing activities:</b>		
Proceeds from the exercise of options	—	—
Subscriptions received (note 3)	200,000	100,000
	<u>(97,867)</u>	<u>(96,583)</u>
Decrease in cash and cash equivalents	(97,867)	(96,583)
Cash and cash equivalents, beginning of period	107,239	163,767
Cash and cash equivalents, end of period	\$ 9,372	\$ 67,184
<b>Cash and cash equivalents consist of:</b>		
Cash	9,372	67,184
Short-term deposits	—	—
	<u>\$ 9,372</u>	<u>\$ 67,184</u>

See accompanying notes to financial statements.

# LABRADOR TECHNOLOGIES INC.

Notes to Financial Statements  
(Unaudited)

Three months ended January 31, 2009 and 2008

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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.

Over the course of the past few years, and since the Corporation's non-compete with Qbyte Services (now owned by P2 Energy Solutions) expired on September 30, 2005, the Company has been raising capital in order to fund the development of its Web-based oil and gas data retrieval software, eTrieve. The Corporation has been successful at raising over \$3.0 million from the period August 1, 2005 through March 31, 2009, including \$1.0 million in fiscal 2008 and \$0.3 million to date in fiscal 2009. The Corporation's fundraising efforts, however, have been hampered a great deal by the recent global economic crisis and, as at March 31, 2009, the Corporation had cash of \$44,000, no long term debt and a working capital deficiency of \$0.3 million.

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 had minimal revenue and is now, in the short term, entirely dependent on the raising of sufficient capital to discharge its obligations, including the working capital deficiency of \$0.3 million as at March 31, 2009. At January 31, 2009, the Corporation had cash of \$9,372, no long term debt and a working capital deficiency of \$163,266. During 2008, the Corporation incurred a net loss of \$1,136,231 (2007 - \$1,262,639) and utilized funds in operations totaling \$1,047,216 (2007 - \$955,123). As at March 31, 2009, the Corporation had received \$300,000 in proceeds related to a private placement (note 6).

While management and the Board of Directors are considering all possible options in order to have sufficient cash to discharge its obligations in the normal course of operations for the foreseeable future, future operations are entirely dependent upon the raising of sufficient capital in the short-term. In addition, future operations in the longer term will be dependent on the development and marketing of the Corporation's Web-based data retrieval technology and the corresponding generation of future cash flows, and the raising of capital, as required.

In the circumstances, management believes the going concern assumption is still appropriate for these financial statements but is contingent upon successful completion of the current private placement and the raising of capital in the future, as required. This assumption will be reviewed on an ongoing basis by management and the Board of Directors. 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, 2008. 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, 2008.

## 3. Share capital:

### (a) Authorized:

Unlimited preferred shares, none of which were issued at January 31, 2009, Series A and Series B; and Unlimited common shares.

### (b) Common shares issued:

	Three months ended January 31, 2009		Year ended October 31, 2008	
	Number of shares	Amount	Number of shares	Amount
Common shares				
Balance, beginning of period	25,215,010	\$ 7,827,902	20,808,872	\$ 6,840,197
Sale of units	—	—	4,000,000	958,170
Exercise of warrants	—	—	—	—
Shares for services performed	22,667	3,400	114,138	22,035
Exercise of options	—	—	40,000	4,800
Finder fees shares issued	—	—	252,000	63,000
Share issue costs	—	—	—	(63,000)
Transfer from contributed surplus on exercise of stock options	—	—	—	2,700
Balance	25,237,677	7,831,302	25,215,010	7,827,902
Subscriptions received (note 6)	2,000,000	200,000	—	—
Balance, end of period	27,237,677	\$ 8,031,302	25,215,010	\$ 7,827,902

(c) Share purchase warrants issued:

Warrants	Three months ended January 31, 2009		Year ended October 31, 2008	
	Number of warrants	Amount	Number of warrants	Amount
Balance, beginning of period	2,803,555	\$ 135,466	803,555	\$ 93,636
Sale of units	—	—	2,000,000	41,830
Exercise of warrants	—	—	—	—
Expired warrants	—	—	—	—
Balance, end of period	2,803,555	\$ 135,466	2,803,555	\$ 135,466

(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, 2008	1,275,000	\$ 0.35 – 0.50	\$ 0.44
Granted	—	—	—
Cancelled	(200,000)	0.50	0.50
Outstanding at January 31, 2009	1,075,000	\$ 0.35 – 0.50	\$ 0.43

Exercise price	Number of Options	Weighted average remaining contractual life (months)
\$ 0.50	50,000	1
0.43	765,000	6
0.50	160,000	24
0.35	100,000	26
Stock options outstanding at January 31, 2009	1,075,000	10
Exercisable at January 31, 2009	895,000	7

(e) Stock-based compensation:

During the three month period ended January 31, 2009, no stock options (2008 – 60,000) were granted to employees, officers, consultants and directors of the Corporation. 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 2009	Issued in the year ended Oct 31 2008
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	\$ 0.44	\$ 0.44

(f) Contributed surplus:

	Jan 31, 2009	Oct 31, 2008
Beginning of period	\$ 564,517	\$ 554,083
Stock-based compensation	3,018	13,134
Expired warrants	—	—
Exercise of options	—	(2,700)
End of period	\$ 567,535	\$ 564,517

(g) Per share amounts:

The weighted average number of common shares outstanding during the three month period ended January 31, 2009 was 25,224,595 (2008 – 22,874,375).

There was no dilutive effect of options and warrants for the three month periods ended January 31, 2009 and 2008.

**4. Supplemental cash flow disclosure:**

Changes in non-cash working capital are as follows:

	January 31 2009	January 31 2008
Accounts receivable and prepaid expenses	\$ 3,669	\$ 14,096
Accounts payable and accrued liabilities	78,518	5,411
Deferred revenue	4,583	—
	\$ 86,770	\$ 19,507

**5. Fair values:**

As at January 31, 2009, 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 February 17, 2009, the Corporation announced the terms of a private placement for between 100,000 and 20,000,000 units at a price of \$0.10 per unit with an expected closing date of on or before April 3, 2009. 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 \$0.20 per share and expires one year from the closing date of the private placement. As at March 31, 2009, the Corporation had received signed subscription agreements for 3,000,000 units and had received \$300,000 in proceeds.

On March 10, 2009, a director of the Corporation loaned the Corporation \$62,500 bearing interest at 12% per annum and collateralized by a general security agreement. The loan is repayable on October 10, 2009.

## **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