

Financial Statements of

LABRADOR TECHNOLOGIES INC.

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

September 28, 2009

LABRADOR TECHNOLOGIES INC.

Balance Sheets
(Unaudited)

	July 31 2009	October 31 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,127	\$ 107,239
Accounts receivable	12,651	9,786
Prepaid expenses	11,162	16,904
	29,940	133,929
Property and equipment	40,536	34,400
	\$ 70,476	\$ 168,329
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 585,087	\$ 113,558
Loans payable (note 7)	126,788	-
Deferred revenue	-	-
	711,875	113,558
Shareholders' equity:		
Common shares (note 3)	8,136,795	7,827,902
Share purchase warrants (note 3)	240	135,466
Contributed surplus (note 3)	800,609	564,517
Deficit	(9,579,043)	(8,473,114)
	(641,399)	54,771
Going concern (note 1)		
Subsequent events (note 6)		
	\$ 70,476	\$ 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		Nine months ended	
	July 31 2009	July 31 2008	July 31 2009	July 31 2008
Income:				
Licence fees	\$ 2,083	—	6,458	—
Expenses:				
General and administrative	92,300	123,189	339,404	309,081
Computer and related costs	64,219	83,062	419,622	248,914
Sales and marketing	73,779	62,792	242,213	190,115
Stock-based compensation (note 3)	15,495	3,892	100,626	190,037
Amortization	3,510	3,200	10,530	9,602
Interest	—	(325)	(8)	(583)
	247,220	275,810	1,105,929	766,723
Net loss	(247,220)	(275,810)	(1,105,929)	(766,723)
Deficit, at beginning of period	(9,331,823)	(7,827,796)	(8,473,114)	(7,336,883)
Deficit, at end of period	(9,579,043)	(8,103,606)	(9,579,043)	(8,103,606)
Net loss per share:				
Basic and diluted	\$ (0.01)	(0.01)	(0.03)	(0.03)

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
	2009	2008	2009	2008
Cash provided by (used in):				
Operating activities:				
Net loss	\$ (247,220)	\$ (275,810)	\$ (1,105,929)	\$ (766,723)
Items not involving cash:				
Stock-based compensation	15,495	3,892	100,626	9,594
Amortization	3,510	3,200	10,530	9,602
Shares for services performed	2,469	5,165	9,133	17,989
	(225,746)	(263,553)	(985,640)	(729,538)
Changes in non-cash working capital (note 4)	181,739	(11,238)	474,406	(46,566)
	(44,007)	(274,791)	(511,234)	(776,104)
Investing activities:				
Property and equipment purchases	—	—	(16,666)	(1,019)
Financing activities:				
Proceeds from exercise of options	—	4,800	—	4,800
Proceeds from sale of shares and warrants (note 1)	—	150,000	300,000	1,000,000
Proceeds from Director loans	39,288	—	126,788	—
	39,288	154,800	426,788	1,004,800
Net increase (decrease) in cash and cash equivalents	(4,719)	(119,991)	(101,112)	227,677
Cash and cash equivalents, beginning of period	10,846	511,435	107,239	163,767
Cash and cash equivalents, end of period	\$ 6,127	\$ 391,444	\$ 6,127	\$ 391,444
Cash and cash equivalents consist of:				
Cash	6,127	41,444	6,127	41,444
Short-term deposits	—	350,000	—	350,000
	\$ 6,127	\$ 391,444	\$ 6,127	\$ 391,444

See accompanying notes to financial statements.

LABRADOR TECHNOLOGIES INC.

Notes to Financial Statements
(Unaudited)

Nine months ended July 31, 2009 and 2008

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 \$3.4 million from the period August 1, 2005 through September 28, 2009, including \$1.0 million in fiscal 2008 and \$0.4 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 September 28, 2009, the Corporation had cash of \$20,014, no long term debt and a working capital deficiency of \$0.7 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 \$0.7 million as September 28, 2009. At July 31, 2009, the Corporation had cash of \$6,127, no long term debt and a working capital deficiency of \$681,935. During the first nine months of fiscal 2009, the Corporation incurred a net loss of \$1,105,929 (2008 - \$766,723). 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 September 28, 2009, the Corporation had received \$125,000 in proceeds related to a private placement (note 6).

On June 9, 2009, the Corporation announced a non-brokered private placement for up to 40,000,000 units at a price of \$0.05 per unit, for gross proceeds of \$2,000,000. The Corporation announced on August 14, 2009, that negotiations had lapsed and that it had determined not to proceed with this private placement. The Corporation announced a new non-brokered private placement for up to 15,000,000 units at a price of \$0.10 per unit, for gross proceeds of \$1,500,000. The units will consist of common shares at a price of \$0.10 per share, and ½ share warrants at \$0.20, exercisable for 1 year.

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. 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 July 31, 2009, Series A and Series B; and Unlimited common shares.

(b) Common shares issued:

	Nine months ended		Year ended	
	July 31, 2009		October 31, 2008	
Common shares	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	25,215,010	\$ 7,827,902	20,808,872	\$ 6,840,197
Sale of units	—	—	4,000,000	958,170
Shares for services performed	76,486	9,133	114,138	22,035
Exercise of options	—	—	40,000	4,800
Sale of units	3,000,000	300,000	—	—
Allocation of warrants	—	(240)	—	—
Finder fees shares issued	60,000	6,000	252,000	63,000
Share issue costs	—	(6,000)	—	(63,000)
Transfer from contributed surplus on exercise of stock options	—	—	—	2,700
Balance, end of period	28,351,496	\$ 8,136,795	25,215,010	\$ 7,827,902

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 which closed on May 12, 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 May 12, 2009, the Corporation had received signed subscription agreements for 3,000,000 units and had received \$300,000 in proceeds.

(c) Share purchase warrants issued:

Warrants	Nine months ended July 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	150,000	240	2,000,000	41,830
Exercise of warrants	—	—	—	—
Expired warrants	(2,953,555)	(135,466)	—	—
Balance, end of period	150,000	\$ 240	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	2,250,000	\$ 0.10 – 0.25	0.12
Cancelled	(1,215,000)	\$ 0.10 – 0.50	0.42
Outstanding at July 31, 2009	2,310,000	\$ 0.10 – 0.50	\$ 0.15

Exercise price	Number of Options	Weighted average remaining contractual life (months)
\$ 0.50	160,000	18
0.35	100,000	20
0.25	250,000	31
0.10	1,800,000	32
Stock options outstanding at July 31, 2009	2,310,000	26
Exercisable at July 31, 2009	1,080,000	16

(e) Stock-based compensation:

During the nine month period ended July 31, 2009, 2,250,000 stock options (2008 – 260,000) 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 Jul 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	\$ 0.15	\$ 0.44

(f) Contributed surplus:

	Jul 31, 2009	Oct 31, 2008
Beginning of period	\$ 564,517	\$ 554,083
Stock-based compensation	100,626	13,134
Expired warrants	135,466	—
Exercise of options	—	(2,700)
End of period	\$ 800,609	\$ 564,517

(g) Per share amounts:

The weighted average number of common shares outstanding during the nine month period ended July 31, 2009 was 26,150,941 (2008 – 23,105,226).

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

4. Supplemental cash flow disclosure:

Changes in non-cash working capital are as follows:

	3 months ended July 31 2009	9 months ended July 31 2009
Accounts receivable and prepaid expenses	\$ (1,257)	\$ 2,877
Accounts payable and accrued liabilities	185,079	471,529
Deferred revenue	(2,083)	—
	\$ 181,739	\$ 474,406

5. Fair values:

As at July 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 June 9, 2009, the Corporation announced a non-brokered private placement for up to 40,000,000 units at a price of \$0.05 per unit, for gross proceeds of \$2,000,000. The Corporation announced on August 14, 2009, that negotiations had lapsed and that it had determined not to proceed with this private placement.

The Corporation announced a new non-brokered private placement for up to 15,000,000 units at a price of \$0.10 per unit, for gross proceeds of \$1,500,000. The units will consist of common shares at a price of \$0.10 per share, and ½ share warrants at \$0.20, exercisable for 1 year. As at September 28, 2009, the Corporation had received \$125,000 in proceeds related to a private placement.

7. Loans payable:

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. In addition, other directors of the Corporation loaned the Corporation \$64,288 during the period bearing interest at 12% per annum during the period. These loans are unsecured and are repayable on demand.

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
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

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Stock Exchange

The TSX Venture Exchange
Trading Symbol: LTX