

Financial Statements of

LABRADOR TECHNOLOGIES INC.

Three months ended January 31, 2010 and 2009

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, 2010.

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, 2010 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, 2010

LABRADOR TECHNOLOGIES INC.

Balance Sheets
(Unaudited)

	January 31 2010	October 31 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 34,093	\$ 9,418
Accounts receivable	20,702	10,968
Prepaid expenses	1,227	8,578
	56,022	28,964
Property and equipment	34,141	36,961
	\$ 90,163	\$ 65,925
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 666,640	\$ 602,241
Loans payable	136,137	158,738
Deferred revenue (note 7)	251,304	—
	1,054,081	760,979
Shareholders' equity (deficit):		
Common shares (note 3)	8,410,897	8,359,320
Share purchase warrants (note 3)	14,820	14,820
Contributed surplus (note 3)	756,331	755,193
Deficit	(10,145,966)	(9,824,387)
	(963,918)	(695,054)
Going concern (note 1)		
Subsequent events (note 8)		
	\$ 90,163	\$ 65,925

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 2010	January 31 2009
Revenue		
License fees	—	1,875
Expenses:		
General and administrative	165,155	115,344
Computer and related costs	115,214	179,480
Marketing and sales	33,187	80,057
Stock-based compensation (note 3)	1,138	3,018
Amortization	2,820	3,510
Interest expense (income)	4,065	(8)
	321,579	381,401
Net loss and comprehensive loss	(321,579)	(379,526)
Deficit, at beginning of period	(9,824,387)	(8,473,114)
Deficit, at end of period	\$ (10,145,966)	\$ (8,852,640)
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 2010	January 31 2009
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (321,579)	\$ (379,526)
Items not involving cash:		
Stock-based compensation	1,138	3,018
Amortization	2,820	3,510
Shares for services performed	1,577	3,400
	(316,044)	(369,598)
Changes in non-cash working capital (note 4)	313,320	86,770
	(2,724)	(282,828)
Investing activities:		
Additions to property and equipment	—	(15,039)
Financing activities:		
Subscriptions received (note 3)	50,000	200,000
Loan repayments	(22,601)	—
	27,399	200,000
Increase (decrease) in cash and cash equivalents	24,675	(97,867)
Cash and cash equivalents, beginning of period	9,418	107,239
Cash and cash equivalents, end of period	\$ 34,093	\$ 9,372
Cash and cash equivalents consist of:		
Cash	34,093	9,372
	\$ 34,093	\$ 9,372

See accompanying notes to financial statements.

LABRADOR TECHNOLOGIES INC.

Notes to Financial Statements
(Unaudited)

Three months ended January 31, 2010 and 2009

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 assumes 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, eTriever. The Corporation has been successful at raising over \$3.0 million from the period August 1, 2005 through January 31, 2010, including \$1.0 million in 2008 and \$0.5 million in 2009. The Corporation's fundraising efforts, however, have been hampered a great deal by the recent global economic crisis and, as at March 31, 2010, the Corporation had cash of \$76,052, no long term debt and a working capital deficiency of \$0.9 million.

There is significant doubt about the appropriateness of using the going concern assumption because the Corporation's ability to continue as a going concern 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 \$1.0 million as at March 31, 2010. At January 31, 2010, the Corporation had cash of \$34,093, no long term debt and a working capital deficiency of \$998,059. During the three months ended, the Corporation incurred a net loss of \$ 321,579 (for the three months ended January 31, 2009 - \$379,526) and generated cash in operations totaling \$24,675 (for the three months ended January 31, 2009 – utilized \$97,867).

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.

On November 10, 2009, the Corporation announced a global strategic agreement with IHS Inc. ("IHS") to distribute Labrador's eTriever web application bundled with IHS Canadian Oil and Gas Critical Information. In connection with this agreement, the Corporation received a US\$240,000 payment as an advance on software fees to be paid to the Corporation by IHS. (note 7)

In the circumstances, management believes the going concern assumption is still appropriate for these financial statements but is contingent upon the successful raising of sufficient 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, 2009. 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, 2009.

3. Share capital:

(a) Authorized:

Unlimited preferred shares, none of which were issued at January 31, 2010, Series A and Series B; and Unlimited common shares.

(b) Common shares issued:

	Three months ended January 31, 2010		Year ended October 31, 2009	
	Number of shares	Amount	Number of shares	Amount
Common shares				
Balance, beginning of period	30,717,969	\$ 8,359,320	25,215,010	\$ 7,827,902
Sale of units	—	—	5,163,750	501,555
Shares for services performed	15,767	1,577	279,209	29,863
Finder fees shares issued	—	—	60,000	6,000
Share issue costs	—	—	—	(6,000)
Balance	30,733,736	8,360,897	30,717,969	8,359,320
Subscriptions received (note 8)	500,000	50,000	—	—
Balance, end of period	31,233,736	\$ 8,410,897	30,717,969	\$ 8,359,320

(c) Share purchase warrants issued:

Warrants	Three months ended January 31, 2010		Year ended October 31, 2009	
	Number of warrants	Amount	Number of warrants	Amount
Balance, beginning of period	2,581,875	\$ 14,820	2,803,555	\$ 135,466
Sale of units	—	—	2,581,875	14,820
Exercise of warrants	—	—	—	—
Expired warrants	—	—	(2,803,555)	(135,466)
Balance, end of period	2,581,875	\$ 14,820	2,581,875	\$ 14,820

(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, 2009	1,410,000	\$ 0.10 – 0.50	\$ 0.13
Granted	—	—	—
Forfeited	—	—	—
Outstanding at January 31, 2010	1,410,000	\$ 0.10 – 0.50	\$ 0.13

Exercise price	Number of Options	Weighted average remaining contractual life (months)
\$ 0.10	250,000	33
0.10	1,000,000	26
0.35	100,000	14
0.50	60,000	12
Stock options outstanding at January 31, 2010	1,410,000	26
Exercisable at January 31, 2010	1,160,000	24

(e) Stock-based compensation:

During the three month period ended January 31, 2010, no stock options (2009 – nil) 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 2010	Issued in the year ended Oct 31 2009
Dividend yield	0%	0%
Expected volatility	90%	90%
Risk free rate of return	1.5%	1.5%
Expected option life	3 years	3 years
Weighted average option value	\$ 0.13	\$ 0.13

(f) Contributed surplus:

	Jan 31, 2010	Oct 31, 2009
Beginning of period	\$ 755,193	\$ 564,517
Stock-based compensation	1,138	55,210
Expired warrants	—	135,466
End of period	\$ 756,331	\$ 755,193

(g) Per share amounts:

The weighted average number of common shares outstanding during the three month period ended January 31, 2010 was 30,728,711 (2009 – 25,224,595).

There was no dilutive effect of options and warrants for the three month periods ended January 31, 2010 and 2009.

4. Supplemental cash flow disclosure:

Changes in non-cash working capital are as follows:

	January 31 2010	January 31 2009
Accounts receivable and prepaid expenses	\$ (2,383)	\$ 3,669
Accounts payable and accrued liabilities	4,399	78,518
Deferred revenue	251,304	4,583
	\$ 313,320	\$ 86,770

5. Fair values:

As at January 31, 2010, 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. Loans payable and related party transaction:

During 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 in monthly installments of \$650 with the balance due on March 31, 2010. Four of these monthly payments were made during the period. In addition, other directors of the Corporation loaned the Corporation \$100,000 in 2009, (\$20,000 of which was repaid during the period) bearing interest at 12% per annum. These loans are unsecured and are repayable on demand.

7. Deferred revenue:

On November 10, 2009, the Corporation announced a global strategic agreement with IHS Inc. ("IHS") to distribute Labrador's eTriever web application bundled with IHS Canadian Oil and Gas Critical Information. In connection with this agreement, the Corporation received a US\$240,000 payment as an advance on software fees to be paid to the Corporation by IHS. The entire amount has been recorded as deferred revenue and will be recorded into revenue when the services are performed and the revenue is earned.

8. Subsequent events:

- (a) On March 17, 2010, the Corporation announced the terms of a private placement up to 5,000,000 units at a price of \$0.10 per unit with an expected closing date of on or before April 19, 2010. 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, 2010, the Corporation had received signed subscription agreements for 2,500,000 units and had received \$250,000 in proceeds.
- (b) On March 25, 2010, the loan of \$62,500 (note 6) was repaid in full to a director of the company, with accrued interest.
- (c) As at March 17, 2010, certain creditors of the Company had provided written consent to convert \$215,000 of aggregate liabilities into common shares at a price of \$0.09 per common share. The breakdown of the \$215,000 by creditor category is as follows: employees \$100,000 (recorded in accounts payable and accrued liabilities), consultants \$90,000 (recorded in accounts payable and accrued liabilities), and directors \$25,000 (recorded in loans payable). As a result of this conversion, the working capital deficiency will be reduced by \$215,000. In addition, 2,388,889 new common shares will be issued bringing the total number of shares issued to 33,157,539. TSX approval is required to complete these transactions.

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

* - members of the Audit Committee

Executives and Officers

H. Ronald Sterne, President & Chief Executive Officer
Jeffrey Howe, Chief Financial Officer

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Stock Exchange

The TSX Venture Exchange
Trading Symbol: LTX