

Financial Statements of

LABRADOR TECHNOLOGIES INC.

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

September 28, 2010

LABRADOR TECHNOLOGIES INC.

Balance Sheets
(Unaudited)

	July 31 2010	October 31 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 70,326	\$ 9,418
Accounts receivable	6,709	10,968
Prepaid expenses	14,397	8,578
	91,432	28,964
Property and equipment	28,502	36,961
Total Assets	\$ 119,934	\$ 65,925
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 501,973	\$ 602,241
Loans payable (note 6)	55,000	158,738
Deferred revenue (note 7)	307,886	—
Total Liabilities	864,859	760,979
Shareholders' equity (deficit):		
Common shares (note 3)	8,887,884	8,359,320
Share purchase warrants (note 3)	68,720	14,820
Contributed surplus (note 3)	755,196	755,193
Deficit	(10,456,725)	(9,824,387)
Total Shareholders' Equity (Deficit)	(744,925)	(695,054)
Going concern (note 1)		
Subsequent events (note 8)		
Total Liabilities and Shareholders' Equity	\$ 119,934	\$ 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		Nine months ended	
	July 31	July 31	July 31	July 31
	2010	2009	2010	2009
Income:				
Licence fees	\$ 4,000	2,083	4,000	6,458
Consulting fees (note 9)	85,963	—	179,446	—
	89,963	2,083	183,446	6,458
Expenses:				
General and administrative	105,647	92,300	375,790	339,404
Development and related costs	101,829	64,219	330,148	419,622
Sales and marketing	30,028	73,779	102,604	242,213
Stock-based compensation (note 3)	—	15,495	(1,197)	100,626
Amorization	2,820	3,510	8,460	10,530
Interest income	(21)	—	(21)	(8)
	240,303	249,303	815,784	1,112,387
Net loss and comprehensive loss	(150,340)	(247,220)	(632,338)	(1,105,929)
Deficit, at beginning of period	(10,306,385)	(9,331,823)	(9,824,387)	(8,473,114)
Deficit, at end of period	(10,456,725)	(9,579,043)	(10,456,725)	(9,579,043)
Net loss per share:				
Basic and diluted	\$ (0.01)	(0.01)	(0.02)	(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
	2010	2009	2010	2009
Cash provided by (used in):				
Operating activities:				
Net loss	\$ (150,340)	\$ (247,220)	\$ (632,338)	\$ (1,105,929)
Items not involving cash:				
Stock-based compensation	—	15,495	(1,197)	100,626
Amortization	2,820	3,510	8,460	10,530
Shares for services performed	—	2,469	8,664	9,133
	(147,520)	(225,746)	(616,411)	(985,640)
Changes in non-cash working capital (note 4)	(93,832)	181,739	206,058	474,406
	(241,352)	(44,007)	(410,353)	(511,234)
Investing activities:				
Additions to property and equipment	—	—	—	(16,666)
Financing activities:				
Loans advanced from Directors (note 6)	—	39,288	—	126,788
Proceeds from sale of shares and warrants (note 1)	110,000	—	360,000	300,000
Conversion of Debt to Equity (note 3)	215,000	—	215,000	—
Loan repayments (note 6)	(25,000)	—	(103,739)	—
	300,000	39,288	471,261	426,788
Net increase (decrease) in cash and cash equivalents	58,648	(4,719)	60,908	(101,112)
Cash and cash equivalents, beginning of period	11,678	10,846	9,418	107,239
Cash and cash equivalents, end of period	\$ 70,326	\$ 6,127	\$ 70,326	\$ 6,127
Cash and cash equivalents consist of:				
Cash	70,326	6,127	70,326	6,127
	\$ 70,326	\$ 6,127	\$ 70,326	\$ 6,127

See accompanying notes to financial statements.

LABRADOR TECHNOLOGIES INC.

Notes to Financial Statements
(Unaudited)

Nine months ended July 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 \$3.4 million from the period August 1, 2005 through July 31, 2010, including \$1.0 million in 2008, \$0.5 million in 2009 and \$0.4 million in 2010.

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 \$0.8 million as at September 28, 2010. At July 31, 2010, the Corporation had cash of \$70,326, no long term debt and a working capital deficiency of \$773,427. During the nine months ended, the Corporation incurred a net loss of \$ 632,338 (for the nine months ended July 31, 2009 - \$1,105,929) and used cash in operations totaling \$410,353 (for the nine months ended July 31, 2009 – used \$511,234).

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.

LABRADOR TECHNOLOGIES INC.

Notes to Financial Statements
(Unaudited)

Nine months ended July 31, 2010 and 2009

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 July 31, 2010, Series A and Series B; and Unlimited common shares.

(b) Common shares issued:

	Nine months ended July 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	3,600,000	360,000	5,163,750	501,555
Allocation of warrants	—	(55,100)	—	—
Shares for services performed	86,637	8,664	279,209	29,863
Debt to equity conversion	2,388,889	215,000	—	—
Finder fees shares issued	—	—	60,000	6,000
Share issue costs	—	—	—	(6,000)
Balance, end of period	36,793,495	8,887,884	30,717,969	8,359,320

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 May 17, 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. At the closing date of May 17, 2010, the Corporation had received signed subscription agreements for 3,600,000 units and had received \$360,000 in proceeds.

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Nine months ended July 31, 2010 and 2009

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 was reduced by \$215,000. In addition, 2,388,889 new common shares were issued bringing the total number of shares issued to 33,157,539. TSX approval was received for this transaction and shares were issued to the creditors on May 17, 2010.

(c) Share purchase warrants issued:

Warrants	Nine months ended July 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	1,800,000	55,100	2,581,875	14,820
Exercise of warrants	—	—	—	—
Expired warrants	(1,500,000)	(1,200)	(2,803,555)	(135,466)
Balance, end of period	2,881,875	\$ 68,720	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	(250,000)	0.10	—
Outstanding at July 31, 2010	1,160,000	\$ 0.10 – 0.50	\$ 0.13

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Exercise price	Number of Options	Weighted average remaining contractual life (months)
\$ 0.10	1,000,000	20
0.35	100,000	8
0.50	60,000	6
Stock options outstanding at July 31, 2010	1,160,000	18
Exercisable at July 31, 2010	1,160,000	18

(e) Stock-based compensation:

During the nine month period ended July 31, 2010, no stock options (2009 – 2,250,000) 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 July 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	\$ 0.14	\$ 0.13

(f) Contributed surplus:

	July 31, 2010	Oct 31, 2009
Beginning of period	\$ 755,193	\$ 564,517
Stock-based compensation	(1,197)	55,210
Expired warrants	1,200	135,466
End of period	\$ 755,196	\$ 755,193

(g) Per share amounts:

The weighted average number of common shares outstanding during the six month period ended July 31, 2010 was 30,766,423 (2009 – 25,150,941).

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

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Notes to Financial Statements
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Nine months ended July 31, 2010 and 2009

4. Supplemental cash flow disclosure:

Changes in non-cash working capital are as follows:

	3 months ended July 31 2010	9 months ended July 31 2010
Accounts receivable and prepaid expenses	\$ 27,092	\$ (1,560)
Accounts payable and accrued liabilities	(177,506)	(100,268)
Deferred revenue	56,582	307,886
	\$ (93,832)	\$ 206,058

5. Fair values:

As at July 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:

On March 12, 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 was repayable in monthly installments of \$650 with the balance due on March 31, 2010. The loan was repaid in full during the period ended April 30, 2010.

In addition, other directors of the Corporation loaned the Corporation \$100,000 in 2009, (\$25,000 of which was converted to equity during the period – see note 3 (b)) bearing interest at 12% per annum. These loans are unsecured and are repayable on demand.

As at July 31, 2010, the fair values of these loans and transactions approximated their carrying values due to the short term nature of these items.

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.

In addition, during the period, the Corporation entered into a six month consulting contract with IHS. The fees are intended to cover certain programming/consulting fees provided by LTI in the context of the distribution agreement with IHS (see note 1). This current contract is for a maximum of \$245,000 CDN and terminates on July 31, 2010. In July, the company received a pre-payment of \$56,582 for the balance of the contract. This amount will be recorded in revenue by end of this fiscal year.

LABRADOR TECHNOLOGIES INC.

Notes to Financial Statements
(Unaudited)

Nine months ended July 31, 2010 and 2009

8. Subsequent Events

As at September 13, 2010, a certain creditor of the Company had provided written consent to convert \$9,000 of aggregate liabilities into common shares. TSX approval was received for this transaction on September 20, 2010 and 150,000 shares were issued to the creditor on September 22, 2010.

LABRADOR TECHNOLOGIES INC.

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

Auditors

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Chartered Accountants
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Transfer Agent

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Calgary, Alberta, Canada T2P 3S8

Solicitors

Burstall Winger LLP
Barristers & Solicitors
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324 8th Avenue S.W.
Calgary, Alberta, Canada T2P 2Z2

Stock Exchange

The TSX Venture Exchange
Trading Symbol: LTX