

# LABRADOR TECHNOLOGIES INC.

NINE MONTHS ENDED JULY 31, 2010

## MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is prepared in accordance with National Instrument 51-102F1, and should be read in conjunction with the audited financial statements of Labrador Technologies Inc. ("LTI" or the "Corporation") for the year ended October 31, 2009. Additional information with respect to LTI can be found on the Corporation's website at [www.labradortechnologies.com](http://www.labradortechnologies.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

Certain statements in the MD&A constitute forward-looking statements that involve various risks and uncertainties. These risks and uncertainties include, but are not restricted to, the Corporation's continuing ability to promote and license its products, the Corporation's ability to attract and retain key employees, and the Corporation's ability to raise capital on acceptable terms when needed. These uncertainties may cause actual results to differ from information contained herein. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. These forward-looking statements are based on the estimates and opinions of management on the dates they are made and are expressly qualified in their entirety by this notice.

This MD&A is dated as of September 28, 2010.

### Overall Performance

### CEO'S REPORT TO SHAREHOLDERS

#### IHS eTrieve® PETRA® Export

In mid-September, appropriately timed for the much more active Oil & Gas final quarter of the year, Labrador Technologies ("LTI") has released its eTrieve **PETRA** Export. One of eTrieve's primary purposes is to be a very fast "data mover" into the best Oil & Gas analytical software offerings available, which go well beyond the generality of eTrieve's export for Microsoft Excel®. For obvious reasons, IHS' PETRA was first in line, to be followed by client requests for additional exports of consequence. eTrieve's remarkable speed and query capabilities, together with its economical pricing, make it ideal as a web-based front-end for the analytical products of choice.

#### IHS eTrieve Sales

Despite the cyclical doldrums of the summer months, Carl Garrison's (April 30<sup>th</sup>, 2010 IHS Press Release [http://press.ihs.com/article\\_display.cfm?article\\_id=4233](http://press.ihs.com/article_display.cfm?article_id=4233)) reorganization of IHS Calgary Sales has resulted in five new eTrieve clients. With the advent of the PETRA Export, new Sales Campaigns combined with LTI's contributing efforts, and the Oil & Gas business back at work, we are optimistic that five years of innovative eTrieve R&D will start bearing the revenue fruits of the singular combination of LTI and IHS Inc.

## **Financing Progress**

LTI continues to aggressively raise capital as required to finance LTI's obligations and its opportunities born of the IHS/LTI Strategic Distribution Agreement.

Respectfully,

H. Ronald Sterne  
President & C.E.O.

## Results of Operations

### Revenue

Currently, the Corporation has no significant ongoing sources of revenue. The Corporation, however, has received US\$240,000 in connection with a distribution agreement with IHS which has been recorded as deferred revenue (see note 1, note 7 in the financial statements). During the period, the Corporation entered into a nine 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 in the financial statements). 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 (see note 9 in the financial statements)

### Financial Summary

	Three months ended		Nine months ended	
	July 31	July 31	July 31	July 31
	2010	2009	2010	2009
Revenue, licence fees	\$ 4,000	2,083	4,000	6,458
Consulting fees	85,963	—	179,446	—
Expenses	240,303	249,303	815,784	1,112,387
Net loss	(150,340)	(247,220)	(632,338)	(1,105,929)
Net loss per share, fully and diluted	\$ (0.01)	(0.01)	(0.02)	(0.03)
Outstanding shares	36,793,495	28,351,496	36,793,495	28,351,496
Total assets	\$ 119,934	70,476	119,934	70,476

### Expenses

#### General and administrative

This category of expenses is comprised primarily of office rent, office equipment rentals, administrative salaries, corporate expenses related to shareholder reporting, and professional fees. General and administrative expenses for the three month period ended July 31, 2010 were \$105,647 compared to \$92,300 for the three month period ended July 31, 2009, an increase of \$13,347. The increase is primarily due to increases in consulting and professional fees. For the nine month period ended July 31, 2010 expenses were \$375,790 compared to \$339,404 for the nine month period ended July 31, 2009, an increase of \$36,386. This increase was primarily due to an increase in professional and legal fees.

#### Development and related costs

Computer and related costs include programmers' salaries, software costs, and telecommunication costs. This category of expenses totaled \$101,829 for the three month period ended July 31, 2010 compared to \$64,219 for the three month period ended July 31, 2009, an increase of \$37,610. The increase is primarily due to an increase in programmer/consultant and related costs. For the nine month period ended July 31, 2010 expenses were \$330,148 compared to \$419,622 for the nine month period ended July 31, 2009, a decrease of \$89,474. This decrease was primarily due to a decrease in development staff and consulting costs.

#### Marketing and sales

Marketing and sales expenses include expenses for sales and support salaries/consulting fees, and promotion/advertising. For the three month period ended July 31, 2010, marketing and sales expenses were \$30,028 compared to \$73,779 for the three month period ended July 31, 2009, a decrease of \$43,751. The decrease is primarily due to the reduction of sales department staff. For the nine month period ended July 31, 2010 expenses were \$102,604 compared to \$242,213 for the nine month period ended July 31, 2009, a decrease of \$139,609. This decrease was primarily due to a decrease in sales and marketing staff.

**Interest expense**

Interest expense includes mainly interest paid on loans advance to the Corporation by its directors. For the nine months ended July 31, 2010, interest expense was \$12,413 compared to \$6,070 for nine month period ended July 31, 2009, an increase of \$6,343 (three months ended July 31, 2010 - \$4,371 and July 31, 2009 - \$2,075, an increase of \$2,296. The increase is primarily due to the cost of additional financing required during the year.

**Stock-based compensation**

LTI issued no stock options during the three month period ended July 31, 2010 (2009 – nil). There was no Stock-based compensation expense recorded for the three month period ended July 31, 2010 (2009 - \$15,495), based on an estimate of the fair value of the options calculated using the Black-Scholes option-pricing model.

**Amortization**

Amortization expense for the three month period ended July 31, 2010 was \$2,820 compared to \$3,510 for the three month period ended July 31, 2009. There were no additions to property and equipment in the period (2009 - nil). For the nine month period ended July 31, 2010 the expense was \$8,460 compared to \$10,530 for the nine month period ended July 31, 2009. There were no additions to property and equipment in the nine month period. (2009 - \$16,666)

**Working capital**

At July 31, 2010, LTI had cash of \$70,326, no debt, and negative working capital of \$773,427. The Corporation has not had any sources of ongoing revenue for many years as it has been developing its eTriever web application. The Corporation has recently received US\$240,000 in connection with a distribution agreement with IHS Inc. (see notes 1 and note 7 in the financial statements) and is relying on future sales from this agreement to generate additional cash. The Corporation entered into a nine month agreement with IHS for consulting fees to cover certain programming expenses. (see note 9 in the financial statements) As a result, the Corporation's ability to maintain its operations in the future is still dependent on its ability to generate sufficient revenue, and/or raise sufficient capital to continue to fund its strategic business plan.

In addition, 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. TSX approval has been received to complete these transactions and shares were issued to the creditors on May 17, 2010.

**Financing and Investing**

During the three month period ended July 31, 2010, the Corporation's cash position increased by \$58,648 (three months ended July 31, 2009 - decrease \$4,719) primarily as a result of funds raised from the Private Placement and certain creditors converting their liabilities to equity (see below).

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.

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.

## Summary of Quarterly Results

<b>Fiscal 2010</b>	<b>1-QTR</b>	<b>2-QTR</b>	<b>3-QTR</b>	<b>4-QTR</b>
Revenue				
Consulting fees	—	93,483	85,963	N/A
License fees	—	—	4,000	N/A
	—	93,483	89,963	N/A
Expenses	\$ 321,579	254,372	240,303	N/A
Net loss	(321,579)	(160,889)	(150,340)	N/A
Net loss per share, fully and diluted	\$ (0.01)	(0.01)	(0.004)	N/A
Outstanding shares	30,733,730	30,804,606	36,793,495	N/A
Total assets	\$ 69,461	76,980	91,432	N/A

<b>Fiscal 2009</b>	<b>1-QTR</b>	<b>2-QTR</b>	<b>3-QTR</b>	<b>4-QTR</b>
Revenue	—	—	—	—
License fees	\$ 1,875	2,500	2,083	—
Expenses	381,401	481,683	249,303	245,344
Net loss	(379,526)	(479,183)	(247,220)	(245,344)
Net loss per share, fully and diluted	\$ (0.01)	(0.02)	(0.01)	(0.01)
Outstanding shares	25,237,677	25,266,804	28,351,496	30,717,969
Total assets	\$ 62,675	61,604	60,887	54,958

<b>Fiscal 2008</b>	<b>1-QTR</b>	<b>2-QTR</b>	<b>3-QTR</b>	<b>4-QTR</b>
Revenue, license fees	—	—	—	1,458
Expenses	\$ 226,131	264,782	275,810	370,966
Net loss	(226,131)	(264,782)	(275,810)	(369,508)
Net loss per share, fully and diluted	\$ (0.01)	(0.01)	(0.01)	(0.01)
Outstanding shares	20,831,145	24,267,922	24,936,037	25,215,010
Total assets	\$ 106,865	547,866	429,924	158,543

## **Liquidity and Capital Resources**

At July 31, 2010, LTI had cash of \$70,326, no debt and negative working capital of \$773,427. On March 17, 2010, the Corporation announced the terms of a private placement for up to 5,000,000 units at a price of \$0.10 per unit with a 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. As at July 31, 2010, the Corporation had completed the private placement and received signed subscription agreements for 3,600,000 units and had received \$360,000 in proceeds. The Corporation has recently received US\$240,000 in connection with a distribution agreement with IHS Inc. (see notes 1 and note 7 in the financial statements) and is relying on future sales to generate additional cash. As a result, the Corporation's ability to maintain its operations in the future is dependent on its ability to generate sufficient revenue, and/or raise sufficient capital to continue to fund its strategic business plan.

## **Financial Instruments**

As at July 31, 2010 and 2009, 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.

## **Loans Payable and Related Party Transactions**

During the fiscal year ended October 31, 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. In addition, other directors of the Corporation loaned the Corporation \$100,000 during the year, bearing interest at 12% per annum. These loans are unsecured and are repayable on demand.

On March 25, 2010, the loan of \$62,500 (note 6) was repaid in full to a director of the company, with accrued interest. On November 13, 2009 the loan of \$20,000 was repaid in full to a director of the company, with accrued interest.

## **Outstanding Share Data**

As of July 31, 2010. LTI had 36,793,495 common shares, 2,881,875 warrants and 1,160,000 options to acquire common shares outstanding.

As of September 28, 2010. LTI had 36,978,175 common shares, 2,881,875 warrants and 1,160,000 options to acquire common shares outstanding.

## **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.

## Future Accounting Policies

The CICA's Accounting Standards Board announced in 2008 that Canadian publicly accountable enterprises are required to adopt International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for fiscal years beginning on or after January 1, 2011 with appropriate IFRS financial information for 2010.

The Company identified the areas that are expected to have an impact in terms of numerical change as stock-based compensation, revenue recognition and presentation of the financial statements. A thorough review of the accounting differences between Canadian GAAP and IFRS to quantify the financial statement impact of the differences, evaluate transitional options available under IFRS and determining appropriate long-term accounting policies are the next steps.

The Company is required to make accounting policy choices and the first time adoption under IFRS allows optional and mandatory exceptions. No new policies have been drafted at this time. The Company plans on quantifying the impact of the transition to IFRS to its financial statement during the 2011 fiscal year. Currently, no impacts have been fully quantified or determined.

H. Ronald Sterne

**"signed"**

President & Chief Executive Officer  
Labrador Technologies Inc.

Jeffrey Howe

**"signed"**

Chief Financial Officer  
Labrador Technologies Inc.