

**LABRADOR TECHNOLOGIES INC.**

**THREE MONTHS ENDED JANUARY 31, 2011**

**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, 2010. 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.

### **Forward-looking Information**

Certain information included in this MD&A is forward-looking. Forward-looking information includes statements that are not statements of historical fact and which address activities, events or developments that the Corporation expects or anticipates will or may occur in the future. This includes such things as the development plans and status of the Corporation's software development projects, the Corporation's intentions, results of operations, levels of activity, future capital and other expenditures, including the amount, nature and sources of funding thereof, business prospects and opportunities, research and development timetable, and future growth and performance. When used in this MD&A, statements to the effect that the Corporation or its management 'believes', 'expects', 'plans', 'may', 'will', 'projects', 'anticipates', 'predicts', 'intends' or similar statements, including 'potential', 'opportunity', or variations thereof are not statements of historical fact and should be construed as forward-looking information. These statements reflect management's current beliefs with respect to future events and are based on information currently available to the management of the Corporation. The Corporation believes that the expectations reflected in such forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

With respect to the forward-looking information contained in this MD&A, we have made assumptions regarding the following:

- Future software license sales
- The continued ability of the Corporation to raise operating capital
- Ability to continue current development and new product development
- Ability to retain and recruit qualified staff

Forward-looking information is not a guarantee of future performance and involves a number of risks and uncertainties, only some of which are describe herein. Many factors could cause the Corporation's actual results, performance or achievements, or future events or developments, to differ materially from those expressed or implied by the forward-looking information including, without limitation, the following factors:

- Economic conditions in the oil and gas industry
- Reliance on key partner
- Increased competition
- Reliance on employees with specialized skills and knowledge
- Protection of proprietary rights

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this MD&A. These factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of the MD&A.

This MD&A is dated as of March 31, 2011.

## Overall Performance

### CEO'S REPORT TO SHAREHOLDERS

#### Financing Complete & Closed

On March 29<sup>th</sup>, 2011, the Company announced that it has closed its previously announced Private Placement for up to 15 million common shares of Labrador, at a price of 5 cents per common share, for proceeds of up to \$750,000. The full \$750,000 has been raised.

The proceeds from the Offering will be used for expanding the current eTrieve<sup>TM</sup> market launch (see: <http://press.ihs.com/press-release/energy-power/new-etriever-release-enables-fast-mobile-access-ihs-canadian-energy-data>) into all sectors of the Oil & Gas industry, for increasing and broadening eTrieve R&D, and for general working capital. This critical eTrieve deployment phase will be bolstered significantly by LTI's logical growth and extension with its partners into accessing data from proprietary databases, a stronghold of Labrador expertise.

#### Business Development Manager

One very important aspect of the expansion referenced above has been the hiring of a Business Development Manager to work closely in collaboration with LTI's business partners to briskly stimulate eTrieve sales. In particular, the Company is quite encouraged and optimistic about its growing partnership with IHS Inc. The best things in life take time to build from a solid foundation and the Company is working extremely co-operatively with all levels of IHS. It has been stated many times before that it is the **combination** of the Labrador<sup>®</sup> Tools, which map/model and query proprietary data, **together with** eTrieve's speed and device-independent mobility that provide our Company, its shareholders and partners with a truly unique opportunity.

#### New Infusion of Energy

Another very important aspect of this financing is that it has attracted a younger group of energetic shareholders, in tune with the substantial scope and scale of eTrieve's leading-edge technology, who want to help our company grow as quickly as possible. A new member of our Board of Directors will be announced soon with a view to also creating a small Advisory Council of industry experts to advise the Company on everything from sales opportunities, to new partnerships, to future financings.

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, of which a portion has been recorded as deferred revenue (see note 7 the financial statements).

### Financial Summary

	Three months ended	
	January 31, 2011	January 31, 2010
Revenue		
License fees	\$ 3,333	\$ —
Data modeling	20,942	—
	24,275	—
Expenses		
General and administration	88,492	165,155
Development and related costs	49,956	115,214
Other expenses	43,221	41,210
	181,669	321,579
Net loss	(157,394)	(321,579)
Net loss per share	(0.01)	(0.01)
Outstanding shares	37,026,137	30,733,730

### 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 January 31, 2011 were \$88,492 compared to \$165,155 for the three month period ended January 31, 2010, a decrease of \$76,663. The decrease is primarily due to decreased professional fees and general office expenses.

#### Development and related costs

Computer and related costs include programmers' salaries, software costs, and telecommunication costs. This category of expenses totaled \$49,956 for the three month period ended January 31, 2011 compared to \$115,214 for the three month period ended January 31, 2010, a decrease of \$65,258. The decrease is primarily due to a reduction in programmer/consultant and related 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 January 31, 2011, marketing and sales expenses were \$29,912 compared to \$33,187 for the three month period ended January 31, 2010, a decrease of \$3,275. The decrease is primarily due to the reduction of sales department general expenses.

#### Interest expense

Interest expense includes mainly interest paid on loans advanced to the Corporation by its directors as well as non-deductible interest. For the three months ended January 31, 2011, interest expense was \$10,699 compared to \$4,065 for 2010, an increase of \$6,634. The increase is primarily due to additional loan financing required during the year.

### Stock-based compensation

LTI issued no stock options during the three month period ended January 31, 2011 (2010 – nil). There was no stock-based compensation expense recorded for the three month period ended January 31, 2011.

### Amortization

Amortization expense for the three month period ended January 31, 2011 was \$2,610 compared to \$2,820 for the three month period ended January 31, 2010. There were no additions to property and equipment in the period.

### Working capital

At January 31, 2011, LTI had cash of \$16,416, no long-term debt, and negative working capital of \$1,078,520. 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. 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. The Corporation has successfully completed a fully funded private placement. As of March 31, 2011, the Corporation had cash of \$477,327 and a working capital deficiency of \$467,772. (see note 8 in the financial statements)

### Financing and Investing

During the three month period ended January 31, 2011, the Corporation's cash position increased by \$8,935 primarily as a result of loans advanced to the Corporation. Please refer to "Subsequent Events" for details on the success of LTI's private placement.

## Summary of Quarterly Results

<b>Fiscal 2011</b>	<b>1-QTR</b>	<b>2-QTR</b>	<b>3-QTR</b>	<b>4-QTR</b>
Revenue				
License fees	3,333	N/A	N/A	N/A
Data modeling	20,942	N/A	N/A	N/A
	24,275	N/A	N/A	N/A
Expenses				
General and administration	88,492	N/A	N/A	N/A
Development and related costs	49,956	N/A	N/A	N/A
Other expenses	43,221	N/A	N/A	N/A
	181,669	N/A	N/A	
Net loss	(157,394)	N/A	N/A	N/A
Net loss per share, basic and diluted	\$ (0.01)	N/A	N/A	N/A
Outstanding shares	37,026,137	N/A	N/A	N/A
Total assets	\$ 44,945	N/A	N/A	N/A

<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	53,887
License fees	—	—	4,000	(1,333)
Data modeling	—	—	—	82,571
	—	93,483	89,963	135,125
Expenses				
General and administration	165,155	101,159	105,647	113,704
Development and related costs	115,214	113,105	101,829	122,055
Other expenses	41,210	39,873	32,827	55,665
	321,579	254,137	240,303	291,424
Net loss	(321,579)	(160,654)	(150,340)	(156,299)
Net loss per share, basic and diluted	\$ (0.01)	(0.01)	(0.00)	(0.00)
Outstanding shares	30,733,730	30,804,606	36,793,495	36,978,175
Total assets	\$ 90,163	90,963	119,934	35,215

<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				
General and administration	115,344	131,560	92,300	153,506
Development and related costs	179,480	175,923	64,219	84,558
Other expenses	86,577	174,200	92,784	7,280
	381,401	481,683	249,303	245,344
Net loss	(379,526)	(479,183)	(247,220)	(245,344)
Net loss per share, basic 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

## Liquidity and Capital Resources

At January 31, 2011, the Corporation had cash of \$16,416, no long term debt and a working capital deficiency of \$1,078,520. To date, the Corporation has had minimal revenue and is now, in the short term, dependent on the raising of sufficient capital and/or generating sufficient revenue from the licensing of its eTriever software, which is expected to occur primarily through the corporation's agreement with IHS Inc., to discharge its obligations, including the working capital deficiency of \$1.1 million as at January 31, 2011. During the period ended January 31, 2011, the Corporation incurred a net loss of \$ 157,394 (2010 - \$321,579) and used cash in operations totalling \$100,065 (2010 – used \$2,724).

For the past 2 fiscal years, the Corporation has been using cash in operations at rate of approximately \$250,000 per quarter. This has been with nominal revenues from the sale of its eTriever software and, accordingly, this use of cash has been financed primarily through the raising of capital in the form of private placements, debt to equity conversions, and loans. As at October 31, 2009, the working capital deficit was \$0.7 million. As at October 31, 2010, the working capital deficit was \$0.9 million. The increase of \$0.2 million has resulted primarily from the cash used in operations exceeding the amount that has been raised through

financing activities. At January 31, 2011 the working capital deficiency was \$1.1 million and at March 31, 2011, it is \$0.5 million, a decrease of \$0.6 million as a result of a successful private placement. (see note 8 in the financial statements)

In the future, the Corporation's use of cash in operations per quarter will be dependent on many variables, including primarily (i) the rate of sales of licences of its eTriever software through its global strategic agreement with IHS Inc. ("IHS") to distribute Labrador's eTriever web application bundled with IHS Canadian Oil and Gas Critical Information; and (ii) the level of staff and support infrastructure necessary to support those eTriever software sales and any new development and sales initiatives.

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 and/or generating sufficient revenue from the licensing of its eTriever software, which is expected to occur primarily through the Corporation's agreement with IHS. 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.

## **Financial Instruments**

As of the date of this MD&A, the Corporation had no financial instruments other than cash, accounts receivable and accounts payable.

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

During the period, three directors (related parties) advanced separate loans to the Corporation totalling \$59,000. These loans bear interest at 12% per year, are unsecured and due on demand. A further loan was advanced to the Corporation by a shareholder for \$50,000 under the same terms.

As at January 31, 2011, the fair value of these loans and transactions approximated their carrying values due to the short term nature of these items.

## **Outstanding Share Data**

As of January 31, 2011. LTI had 37,026,137 common shares, 1,800,000 warrants and 1,100,000 options to acquire common shares outstanding.

As of March 31, 2011. LTI had 50,026,137 common shares, 1,800,000 warrants and ,100,000 options to acquire common shares outstanding.

## **Subsequent Events**

Subsequent to the period end, two directors advanced loans to the Corporation for a total of \$11,000. These loan bears interest at 12% per year, are unsecured and due on demand. Director loans totalling \$15,000 were repaid after the period end.

On February 22, 2011, the Corporation announced a non-brokered private placement for up to 15,000,000 common shares at a price of \$0.05 per Common Share, for proceeds up to \$750,000. The Offering received all necessary regulatory approvals. LTI paid a finder's fee of 8% of gross proceeds, consisting of \$30,000 cash and 600,000 common shares, to qualified persons pursuant to available securities laws exemptions. On

March 29, 2011, the Corporation closed the private placement having received signed Subscriptions Agreements for 15,000,000 common shares and \$750,000 in proceeds.

H. Ronald Sterne

Jeffrey Howe

**“signed”**

**“signed”**

President & Chief Executive Officer  
Labrador Technologies Inc.

Chief Financial Officer  
Labrador Technologies Inc.