

Financial Statements of

LABRADOR TECHNOLOGIES INC.

Nine months ended July 31, 2011 and 2010

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, 2011.

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, 2011 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, 2011

LABRADOR TECHNOLOGIES INC.

Balance Sheets
(Unaudited)

	July 31 2011	October 31 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 104,980	\$ 7,481
Accounts receivable	18,181	1,769
	123,161	9,250
Property and equipment	18,135	25,965
Total Assets	\$ 141,296	\$ 35,215
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 683,087	\$ 697,716
Loans payable (note 6)	169,000	64,000
Deferred revenue (note 7)	130,243	176,066
Total Liabilities	982,330	937,782
Shareholders' equity (deficit):		
Common shares (note 3)	9,609,148	8,884,352
Share purchase warrants (note 3)	55,100	55,100
Contributed surplus (note 3)	845,420	771,240
Deficit	(11,350,702)	(10,613,259)
Total Shareholders' Equity (Deficit)	(841,034)	(902,567)
Going concern (note 1)		
Subsequent events (note 8)		
Total Liabilities and Shareholders' Equity	\$ 141,296	\$ 35,215

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
	2011	2010	2011	2010
Income:				
Licence fees	\$ 10,198	4,000	20,531	4,000
Consulting fees (note 9)	—	85,963	—	179,446
Data modeling revenue (note 7)	20,942	—	62,826	—
	31,140	89,963	83,357	183,446
Expenses:				
General and administrative	88,823	105,647	314,681	375,790
Development and related costs	108,712	101,829	252,108	330,148
Marketing and sales	62,241	30,028	130,852	102,604
Stock-based compensation (note 3)	74,180	—	74,180	(1,197)
Amortization	2,610	2,820	7,830	8,460
Interest expense (income)	22,248	(21)	41,149	(21)
	358,814	240,303	820,800	815,784
Net loss and comprehensive loss	(327,674)	(150,340)	(737,443)	(632,338)
Deficit, at beginning of period	(11,023,028)	(10,306,385)	(10,613,259)	(9,824,387)
Deficit, at end of period	(11,350,702)	(10,456,725)	(11,350,702)	(10,456,725)
Net loss per share:				
Basic and diluted	\$ (0.01)	(0.01)	(0.01)	(0.01)

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
	2011	2010	2011	2010
Cash provided by (used in):				
Operating activities:				
Net loss	\$ (327,674)	\$ (150,340)	\$ (737,443)	\$ (632,338)
Items not involving cash:				
Stock-based compensation	74,180	—	74,180	(1,197)
Amortization	2,610	2,820	7,830	8,460
Shares for services performed	—	—	4,796	8,664
Shares issued as finder's fee (note 3)	—	—	30,000	—
	(250,884)	(147,520)	(620,637)	(616,411)
Changes in non-cash working capital (note 4)	(23,509)	(93,832)	(76,864)	206,058
	(274,393)	(241,352)	(697,501)	(410,353)
Financing activities:				
Proceeds from loan advances (note 6)	—	—	120,000	—
Proceeds from sale of shares and warrants (note 3)	—	110,000	750,000	360,000
Conversion of Debt to Equity (note 3)	—	215,000	—	215,000
Share issue costs (note 3)	—	—	(60,000)	—
Loan repayments	—	(25,000)	(15,000)	(103,739)
	—	300,000	795,000	471,261
Net increase (decrease) in cash and cash equivalents	(274,393)	58,648	97,499	60,908
Cash and cash equivalents, beginning of period	379,373	11,678	7,481	9,418
Cash and cash equivalents, end of period	\$ 104,980	\$ 70,326	\$ 104,980	\$ 70,326
Cash and cash equivalents consist of:				
Cash	104,980	70,326	104,980	70,326
	\$ 104,980	\$ 70,326	\$ 104,980	\$ 70,326

See accompanying notes to financial statements.

LABRADOR TECHNOLOGIES INC.

Notes to Financial Statements
(Unaudited)

Nine months ended July 31, 2011 and 2010

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, eTrievers. The Corporation has been successful at raising over \$4.1 million from the period August 1, 2005 through July 31, 2011. Not included in this amount are proceeds of \$1,015,000 which the company raised in a successful private placement that closed on August 26, 2011. (see Note 3).

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, dependent on the raising of sufficient capital and/or generating sufficient revenue from the licensing of its eTrievers software, which is expected to occur primarily through the Corporation's agreement with IHS Inc. (see details below), to realize its assets and discharge its obligations, including the working capital deficiency of \$0.9 million as at July 31, 2011 (2010 - \$0.8 million). At the period end, the Corporation had cash of \$104,980, no long term debt and a working capital deficiency of \$859,169. During the nine month period ended July 31, 2011, the Corporation incurred a net loss of \$ 737,443 (2010 - \$632,338) and used cash in operations totaling \$697,501 (2010 - \$410,353). As of September 28, 2011, the Corporation had cash of \$799,788 and working capital of \$103,776.

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 dependent upon the raising of sufficient operating capital in the short-term and sales of its eTrievers software. 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 eTrievers web application bundled with IHS Canadian Oil and Gas Critical Information. In connection with this agreement, the Corporation received a US\$240,000 payment for data modeling and maintenance services to be provided to 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.

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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, 2010. 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, 2010.

3. Share capital:

(a) Authorized:

Unlimited preferred shares, none of which were issued at July 31, 2011, Series A and Series B; and Unlimited common shares.

(b) Common shares issued:

	Nine months ended		Year ended	
	July 31, 2011		October 31, 2010	
	Number of shares	Amount	Number of shares	Amount
Common shares				
Balance, beginning of period	36,978,175	\$ 8,884,352	30,717,969	\$ 8,359,320
Sale of units	15,000,000	750,000	3,600,000	360,000
Allocation of warrants	—	—	—	(55,100)
Shares for services performed	47,962	4,796	121,317	12,132
Debt to equity conversion	—	—	2,538,889	224,000
Finder fees shares issued	600,000	30,000	—	—
Share issue costs	—	(60,000)	—	(16,000)
Balance, end of period	52,626,137	9,609,148	36,978,175	8,884,352

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

LABRADOR TECHNOLOGIES INC.

Notes to Financial Statements
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Nine months ended July 31, 2011 and 2010

placement having received signed Subscriptions Agreements for 15,000,000 common shares and \$750,000 in proceeds.

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. As at April 30, 2010, the Corporation had received signed subscription agreements for 2,500,000 units and \$250,000 in proceeds. At the closing date of May 17, 2010, the Corporation had received signed subscription agreements for 3,600,000 units and \$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.

Subsequent to the period end, on August 18, 2011, the Corporation announced a non-brokered private placement for up to 20,000,000 units and proceeds up to \$1,000,000. Each unit consists of one common share at a price of \$0.05 per common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share of the Corporation at \$0.10 per share and expires three years from the closing date of the private placement. LTI paid a finder's fee of 10% of gross proceeds, consisting of \$101,500 cash and 2,030,000 purchase warrants to qualified persons pursuant to available securities laws exemptions. On August 26, 2011, the Corporation closed the private placement having received signed Subscriptions Agreements for 20,300,000 units and \$1,015,000 in proceeds, an oversubscription of 300,000 units and \$15,000.

(c) Share purchase warrants issued:

Warrants	Nine months ended July 31, 2011		Year ended October 31, 2010	
	Number of warrants	Amount	Number of warrants	Amount
Balance, beginning of period	1,800,000	\$ 55,100	2,581,875	\$ 14,820
Sale of units	—	—	1,800,000	55,100
Exercise of warrants	—	—	—	—
Expired warrants	—	—	(2,581,875)	(14,820)
Balance, end of period	1,800,000	\$ 55,100	1,800,000	\$ 55,100

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(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, 2010	1,160,000	\$ 0.10 – 0.50	\$ 0.13
Granted	3,460,000	0.10	0.10
Expired	(160,000)	0.35 – 0.50	—
Outstanding at July 31, 2011	4,460,000	\$ 0.10	\$ 0.10

Exercise price	Number of Options	Weighted average remaining contractual life (months)
\$ 0.10	1,000,000	8
\$ 0.10	3,460,000	33
Stock options outstanding at July 31, 2011	4,460,000	27
Exercisable at July 31, 2011	1,000,000	27

(e) Stock-based compensation:

During the nine month period ended July 31, 2011, 3,460,000 stock options (2010 – 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:

	2011	2010
Dividend yield	0%	—
Expected volatility	90%	—
Risk free rate of return	1.5%	—
Expected option life	3 years	—
Weighted average option value	\$ 0.10	\$ —

(f) Contributed surplus:

	July 31, 2011	Oct 31, 2010
Beginning of period	\$ 771,240	\$ 755,193
Stock-based compensation	74,180	1,227
Expired warrants	—	14,820
End of period	\$ 845,420	\$ 771,240

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(g) Per share amounts:

The weighted average number of common shares outstanding during the nine month period ended July 31, 2011 was 44,976,637 (2010 – 30,766,423).

There was no dilutive effect of options and warrants for the three month periods ended July 31, 2011 and 2010.

4. Supplemental cash flow disclosure:

Changes in non-cash working capital are as follows:

	3 months ended July 31 2011	9 months ended July 31 2011
Accounts receivable	\$ (8,049)	\$ (16,412)
Accounts payable and accrued liabilities	(1,854)	(14,629)
Deferred revenue	(13,606)	(45,823)
	<u>\$ (23,509)</u>	<u>\$ (76,864)</u>

5. Financial instruments and financial risk management:

As at July 31, 2011 and 2010, the fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and loans payable approximate their carrying value due to the relatively short periods to maturity of these instruments.

Credit risk:

Credit risk is the risk of financial loss resulting from a customer or counter party to a financial instrument failing to meet its obligation to the Corporation.

Management believes the Corporation's credit risk is minimal at this time as the accounts receivable consist of GST receivable and five eTriever license sales. As the Corporation increases its sales volume over the coming months, the credit risk will be analyzed and updated as needed.

Interest rate risk:

Interest rate risk is the risk that fair value of a financial instrument or its cash flows will fluctuate as a result of changes in interest rate.

The loans payable bear interest at a fixed rate of 12% thus the cash flows are not subject to interest rate risk. If market conditions deteriorate further, this rate may appear unreasonable under those circumstances. Management believes this risk to be minimal as the loans that have been advanced are considered short term in nature.

6. Loans payable and related party transaction:

During the period, three directors advanced separate loans to the Corporation totalling \$70,000. These loans bear interest at 12% per year, are unsecured and due on demand. A further loan was advanced to

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the Corporation by a shareholder for \$50,000 under the same terms. Director loans totalling \$15,000 were repaid in the period.

As at July 31, 2011, the fair value 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 for data modeling services to ensure eTriever compatibility with the IHS Canadian Oil and Gas data. This amount is being deferred and recognized ratably over the three year term of the agreement as there is an on-going commitment to provide product upgrades and maintenance.

8. Subsequent Events:

On August 18, 2011, the Corporation announced a non-brokered private placement for up to 20,000,000 units and proceeds up to \$1,000,000. Each unit consists of one common share at a price of \$0.05 per common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share of the Corporation at \$0.10 per share and expires three years from the closing date of the private placement. LTI paid a finder's fee of 10% of gross proceeds, consisting of \$101,500 cash and 2,030,000 purchase warrants to qualified persons pursuant to available securities laws exemptions. On August 26, 2011, the Corporation closed the private placement having received signed Subscriptions Agreements for 20,300,000 units and \$1,015,000 in proceeds, an oversubscription of 300,000 units and \$15,000.

9. Consulting Fees:

During the six month period ended April 30, 2010, 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 IHS/LTI Strategic Distribution Agreement. The contract was for a maximum of \$245,000 CDN and terminated on July 31, 2010.

LABRADOR TECHNOLOGIES INC.

Corporate Information

For further information on Labrador Technologies Inc., please visit our website at www.labradortechnologies.com.

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Board of Directors

H. Ronald Sterne, Calgary, Alberta
George A. Wilson*, Q.C., Toronto, Ontario
Jeffrey Howe*, Toronto, Ontario
Neil Bothwell*, 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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Chartered Accountants
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Stock Exchange

The TSX Venture Exchange
Trading Symbol: LTX