

# **LABRADOR TECHNOLOGIES INC.**

**SIX MONTHS ENDED APRIL 30, 2017**

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

The following Management Discussion and Analysis ("MD&A") is prepared in accordance with National Instrument 51-102F1, and should be read in conjunction with the unaudited financial statements of Labrador Technologies Inc. ("LTI" or the "Company") for the six months ended April 30, 2017 and 2016. Additional information with respect to the Company can be found on the Company's website at [www.labradortechnologies.com](http://www.labradortechnologies.com) or on SEDAR at [www.sedar.com](http://www.sedar.com). The functional reporting and measurement currency is the Canadian dollar.

### **International Financial Reporting Standards**

The Company's unaudited financial statements for the six months ending April 30, 2017 have been prepared in accordance with IFRS as published by the International Accounting Standards Board. The Company also presented comparative information for six months ending April 30, 2016, on an IFRS basis.

### **Non-IFRS Measures**

To supplement our financial statements presented in accordance with IFRS, we use non-IFRS measures such as working capital. This measure is provided to enhance readers' overall understanding of our current use of cash resources and liquidity, and is included to provide investors and management with an alternative measure for assessing our financial position in a manner that is focused on the Company's current liquidity and capital position. This measure is based on the Statement of financial position. Working capital is determined using the period end current assets less current liabilities. These measures are not in accordance with and do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures used by other entities.

### **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 Company expects or anticipates will or may occur in the future. This includes such things as the development plans and status of the Company's software development projects, the Company'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 Company 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 Company. The Company 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 Company 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 Company'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 June 29, 2017.**

## **Outlook**

During the three months ended April 30th, 2017, the Company has been dependent on loans from Officers and Directors to meet its month to month financial obligations and to cover its Research and Development (R&D) spend for wellTrievery™ and Map-Based related products.

## **Oil & Gas Data Supply Agreement Renewed**

Effective July 1, 2017, the Company has renewed its annual agreement with a major data vendor, IHS Inc., to supply Oil & Gas data to the Company for a further period of 1 (one) year from the Effective Date for both wellTrievery™ and eTrievery™.

## **Decision to Strategically Expand wellTrievery's Scope**

The appetite for technology is on a steep incline as more and more companies look to computer software to improve their bottom-line in countless ways – not only for essential survival, but to maximize their profitability. The Company, now in its 37th year, has always prided itself with its ability to adapt to an endlessly shifting market. Accordingly, wellTrievery needed to “shift” with the times and materially expand its scope.

## **The Evolved Need for mapTrievery™ Source Code to Serve a Map-Based Industry**

The Company's Financials clearly demonstrate that it has invested millions of dollars in map-based software for a map-centric industry. It is therefore a logical step-out for the Company to offer non-exclusive source code licenses to use our map-based SaaS WebService across a broad spectrum of industries. In so doing, the Company is providing the Oil & Gas Related Sector, as well as any sector requiring a fast, economical map, with ultimate flexibility and independence. The logic is simple. Because it has taken substantial amounts of capital and time to develop a wellTrievery map-based environment from “scratch”, Management has determined that any fast-changing industry could benefit considerably from a “head-start” derived from its own relatively massive investment in... secure, extremely user friendly, map-based software. The Company is currently targeting suitable potential clients and partners.

## **The Company Targets Medical Cannabis Industry**

[cannaTrievery.com](http://cannaTrievery.com) is already available for conceptual review on the [www.wellTrievery.com](http://www.wellTrievery.com). Making its remarkably quick map the central component of its software will continue to be the Company's hallmark with cannaTrievery development. This map-based technology and associated source code will piggyback on wellTrievery's comprehensive financial and proprietary reporting, by each location, as well as its emphasis on visualization.

## **Continued Tight Management of Expenses and Use of Cash**

During the three months ended April 30th, 2017, the Company continued to carefully manage its expenses and use of cash. This approach, along with loans received from Management, enabled the Company to make improvements to its wellTrievery product for expansion into other industries. The funding has been loaned by Management, and to continue to further minimize the use of cash, Officers of the Company are still not drawing salaries or Director's Fees.

## Results of Operations

At April 30, 2017, the Company had cash of \$11,736, no long-term debt, a current year net and comprehensive loss of \$279,401, and a working capital deficit of \$3,371,564.

Future operations will be dependent upon the successful ongoing development and marketing of the Company's data retrieval technology and the corresponding generation of future cash flows and/or raising of additional capital.

## Revenue

The Company generated revenue of \$5,166 during the six months ended April 30, 2017 from the sale of software license fees (2016 - \$10,833). This revenue is recognized ratably over the contract period, which ranges from four months to twelve months. The Company is continuing to dedicate its resources to further sales and marketing strategies to increase license fees revenues to sustainable levels.

Presently, the Company has no significant ongoing sources of revenue. The Company, however, has continued its research and development activities to streamline and repackage its eTrieve software by "cherry-picking" the best apps, reports and graphs of eTrieve and making them available to all consumers on a 'pay-as-you-go' basis with an initial focus on the Oil & Gas industry's well and drilling data, under the banner of wellTrieve™.

## Financial Summary

	Six months ended	
	April 30, 2017	April 30, 2016
Revenue		
License fees	\$ 7,874	\$ 10,833
	<b>7,874</b>	<b>10,833</b>
Expenses		
General and administration	119,094	134,775
Development and related costs	37,552	147,428
Marketing & Sales	35,350	29,250
	<b>191,996</b>	<b>311,453</b>
Operating Loss	<b>(184,122)</b>	<b>(300,620)</b>
Financing costs	95,279	83,211
Net loss & comprehensive loss	\$ <b>(279,401)</b>	\$ <b>(383,831)</b>
Net loss per share	\$ <b>(0.00)</b>	\$ <b>(0.00)</b>
Outstanding shares	<b>112,926,137</b>	<b>112,926,137</b>

## 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 six month period ended April 30, 2017 were \$125,094 compared to \$134,775 for the six month period ended April 30, 2016, a decrease of 7% (\$9,681). The decrease was due to less salaries and legal fees incurred for the six month period ending April 30, 2017. This was offset by an increase in consulting costs.

**Development and related costs**

Computer and related costs include programmers' salaries, programmers' consulting fees, software costs, and telecommunication costs. This category of expenses totaled \$37,552 for the six month period ended April 30, 2017 compared to \$147,428 for the six month period ended April 30, 2016, an decrease of 75% (\$109,876). The decrease was due to a reduction in programmer/consultant and related costs.

**Marketing & Sales Expenses**

Marketing & sales expenses include expenses for sales and support salaries/consulting fees, and promotion/advertising. Expenses remained relatively consistent for the six month period ended April 30, 2017 and 2016. Marketing & sales expenses were \$29,350 in 2017 compared to \$29,250 for the six month period ended April 30, 2016.

**Financing Costs**

Financing costs includes mainly interest paid on loans advanced to the Company by its officers, directors, former directors, and shareholders. For the six months ended April 30, 2017, interest expense was \$95,279 compared to \$83,211 for 2016, an increase of 15% (\$12,068). The increase is primarily due to additional loan financing received by the Company.

**Depreciation**

Amortization expense for the six month period ended April 30, 2017 was \$1,136 compared to \$1,590 for the six month period ended April 30, 2016. There were no additions to property and equipment in the period.

**Working capital**

At April 30, 2017, the Company had cash of \$11,736, no long-term debt, and working capital deficiency of \$3,371,564. The Company received loan advances from Officers & Directors of \$133,145 for the six months ended April 30, 2017 (2016 – \$233,713). The Company has not had any sources of ongoing revenue for many years as it has been developing its eTrieveer and wellTrieveer web applications. The Company'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.

**Liquidity and Capital Resources**

During the three month period ended April 30, 2017, the Company's cash position increased \$3,534 (increase in 2016 - \$2,664) as a result of loan advances from Officers & Directors of \$97,500 (2016 – \$147,065) offset by cash used in operating activities of \$93,966 (2016 – \$144,401).

**Going Concern**

In recent years, the Company has raised capital in order to fund the development of its web-based oil and gas data retrieval software products, eTrieveer and wellTrieveer.

There is a material uncertainty that raises a significant doubt about the appropriateness of using the going concern assumption because the Company's ability to continue as a going concern is dependent upon its ability to generate sufficient cash to settle its existing liabilities and fund its strategic business plan. To date, the Company has had minimal revenue and is now, in the short term, dependent on the raising of sufficient capital to realize its assets and discharge its obligations, including the working capital deficiency of \$3.4 million as at April 30, 2017 (2016 - \$2.8 million). In addition, the Company will continue to license its eTrieveer software and to generate revenue from the Company's new product, wellTrieveer. Revenue realized through these additional sources will assist the Company in realizing its assets and discharging its obligations.

The Company received loan proceeds of \$133,145 in 2017 (2016 - \$233,713) from officers and directors.

At the period end, the Company had cash of \$11,736, no long term debt and a working capital deficiency of \$3,371,564. During the six months ended April 30, 2017, the Company incurred a net loss of \$279,401 (2016 - \$383,831) and used cash in operations totaling \$129,677 (2016 – used \$233,965).

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. There can be no assurance that the steps management is taking will be successful. 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 may be necessary to the carrying value of assets and liabilities, reported revenues and expenses and the balance sheet classifications used.

### Capital Management

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth to maximize the return to its shareholders. The capital structure of the Company consists of cash and shareholders' deficit. The Company does not have any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

The Company makes adjustments to its capital structure in light of general economic conditions and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may pay dividends, buy back shares or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions not in the ordinary course of business.

### Summary of Quarterly Results

	30-Apr-17	31-Jan-17	31-Oct-16	31-Jul-16	30-Apr-16	31-Jan-16	31-Oct-15	31-Jul-15	30-Apr-15
Revenue									
License fees	\$ 3,854	\$ 4,020	\$ 7,659	\$ 5,167	\$ 5,166	\$ 5,667	\$ 3,925	\$ 6,492	\$ 8,998
	3,854		7,659	5,167	5,166	5,667	3,925	6,492	8,998
Expenses									
General and administration	63,264	55,830	(274)	52,176	71,582	63,193	65,647	63,996	69,069
Development and related costs	24,304	13,248	24,131	63,608	71,925	75,503	78,903	43,714	49,228
Marketing & Sales	19,000	16,350	19,900	13,700	12,000	17,250	14,500	32,500	22,375
	106,568	85,428	43,757	129,484	155,507	155,946	159,050	140,210	140,673
Operating loss	(102,714)	(81,408)	(36,098)	(124,317)	(150,341)	(150,279)	(155,125)	(133,718)	(131,675)
Financing costs	47,865	47,414	298,137	(43,050)	(38,069)	(45,142)	(20,962)	(27,097)	(24,207)
Other income	-	-	5,190	-	-	-	1,564	-	-
Net loss & comprehensive loss	(150,579)	(128,822)	267,229	(167,367)	(188,410)	(195,421)	(174,523)	(160,815)	(155,882)
Net loss per share, basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Outstanding shares	112,926,137	112,926,137	112,926,137	112,926,137	112,926,137	112,926,137	112,926,137	112,926,137	112,926,137
Total assets	\$ 23,007	\$ 26,243	\$ 26,243	\$ 25,755	\$ 28,095	\$ 25,487	\$ 42,454	\$ 28,095	\$ 32,033

## Financial Instruments and Financial Risk Management

### i) Classification of financial instruments:

	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Trade payables and accrued liabilities	Other financial liabilities	Amortized cost
Loan payables	Other financial liabilities	Amortized cost

### ii) Determination of Fair Values

The following table analyzes recurring assets and liabilities measured at fair value in the statement of financial position. The different levels are defined as follows:

- Level 1 - determined by reference to quoted prices in active markets for identical financial assets and liabilities;
- Level 2 – inputs to the valuations, other than quoted prices, are observable for the financial assets and liabilities, whether directly or indirectly; and
- Level 3 – inputs to the valuations are based on inputs that are not observable for the financial assets and liabilities.

Recurring Measurements	April 30, 2017		
	Level 1	Level 2	Level 3
Financial Assets			
Cash and cash equivalents	\$ 11,736	\$ –	\$ –

The Company is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal financial risks to which the Company is exposed are described below.

#### a) 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 rates.

The Company maintains its short-term deposits in instruments that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations.

The loans payable bear interest at a fixed rate of 12% and are due upon demand, thus the cash flows are not subject to interest rate risk.

#### b) Liquidity risk:

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. Given that the Company does not have significant internally generated cash flow, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company on a timely basis. Refer to note 3 to the Financial Statements for details regarding the going concern assumption.

At April 30, 2017, the Company has cash balances of \$11,736, and a working capital deficiency of \$3,371,564. The Company has financial liabilities of \$3,378,162 classified as current liabilities.

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

As at April 30, 2017, the Company had \$1,663,584 (2016 - \$1,336,439) of loans payable to certain officers, directors, former directors, and shareholders. These loans bear interest at 12% per year, are unsecured and due on demand. Total interest accrued and payable as at April 30, 2017 was \$506,134 (2016 - \$324,971). During the three months ended April 30, 2017 additional advances on these loans of \$97,500, (2016 - \$147,065) were made to the Company.

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 April 30, 2017, the Company had 112,926,137 common shares.

**“ Signed “**

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H. Ronald Sterne

Chief Executive Officer  
Labrador Technologies Inc.

**“ Signed ”**

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Jeffrey Howe

Interim Chief Financial Officer  
Labrador Technologies Inc.