SYNODON

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

FOR THE FIRST QUARTER ENDED JANUARY 31, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis("MD&A") was prepared as of March 20, 2007 and should be read in conjunction with the Corporation's financial statements for the first quarter ended January 31, 2007 and the notes contained therein. In addition this MD&A should be read in conjunction with the MD&A and financial statements for the year ended October 31, 2006. The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the Corporation's reporting currency is the Canadian dollar. Synodon is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia. The Corporation's shares trade on the TSX Venture Exchange under the symbol "SYD".

Additional information relating to the Corporation is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") web site at www.sedar.com.

This MD&A contains forward-looking statements. Please see the section "Note Regarding Forward-looking Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements.

Overview

Synodon Inc. is an advanced remote sensing technology company which has developed a proprietary platform technology called realSens™ (the "Technology") that may be capable of measuring very small ground-level gas concentrations from an aircraft flying up to 300 meters in altitude.

The underlying technology and detection principle of realSens™ was developed and proven through Canada's Space Program by the University of Toronto and Canadian Space Agency and then further refined by Synodon's scientists. The Technology is capable of passively and remotely sensing ground-level concentrations of a wide variety of gases such as methane, ethane and other hydrocarbon based gases as well as ammonia, carbon monoxide and nitrogen oxides. Unlike the space technology on which it is based, which measures gases from instruments located in earth's orbit (typically 100 to 700 km altitude), realSens™ is intended to do so from within the atmosphere.

The potential applications for realSens™ are very broad as it could be applied to various circumstances that require the remote measurement of ground-level gas concentrations such as: hydrocarbon emissions, pollution monitoring, industrial emission inventory, hazardous gas monitoring during emergencies, greenhouse gas emission inventory, illegal drug manufacturing detection, chemical weapon monitoring and other military and security based applications. For each one of these applications, a targeted, slightly modified version of the Technology could be used as each specific instrument can be built to measure one to four primary gases such as ammonia, benzene, nitrogen oxides and carbon monoxide.

The first gas sensing market targeted by Synodon is the detection of hydrocarbon emissions from the world's oil and gas industries, of which the market is estimated at $1.6 billion a year. Synodon's first commercial detection instrument is currently being built and is tuned to detect ethane, which enables a broad range of applications in the natural gas industry while a subsequently planned benzene measuring instrument will be deployed for sensing opportunities in the oil sectors.

The first vertical market Synodon will focus its efforts upon will be the natural gas pipeline market. This market consists of pipeline operators who own or control gathering, transmission and distribution lines. In this sector, Synodon has already achieved a number of successful tests of the realSens™ technology with its strategic partners. The gas leak detection service that Synodon will provide is expected to offer a lower priced and potentially more accurate gas leak sensing solution compared to current inspection methods in this market sector.

The realSens™ technology has a number of competitive features that are expected to make it a more economic and effective leak detection application than currently existing natural gas leak detection technologies. The primary feature is the fact that realSens™ has been developed for use on aircraft allowing it to have an inspection speed that is 70 - 80 times faster when compared to current ground deployed solutions.

Since inception, Synodon has expended nearly $6.1 million primarily for product research and development but also for initial marketing, advertising, promotion and public relations activities. The Corporation has no long-term debt. The Corporation has not been profitable since its inception and expects to incur further losses in continuing the development of its product. The Corporation does not expect to generate significant revenues until the completion of initial product development and related testing in 2007. The Corporation is currently implementing marketing and sales strategies for its product.

The Corporation has expensed all research and development and prototype expenditures as incurred with no development expenditures being capitalized. The Corporation has not yet met the specific criteria under Canadian Generally Accepted Accounting Principles (CGAAP) related to technical, market and financial feasibility to allow for the capitalization of development costs. At October 31, 2006 the Corporation has approximately $2,660,600 of non-capital losses available to reduce future taxable income and $3,300 of investment tax credits available to reduce income taxes payable.

Summary of Quarterly Results

The Corporation became a reporting issuer on September 28, 2006 and is required to report quarterly financial information as of that date unless it has prepared financial statements for quarters prior to this date. No quarterly financial statements have been prepared prior to April 30, 2006 other than as comparative information for the periods ended October 31, 2006 and July 31, 2006.

Quarterly Statement of Income	**Three Months Ended,**		
	January 31, 2007 ($)	**October 31, 2006 ($)**	**July 31, 2006 ($)**
Revenue	-	-	-
Net loss for the period	(451,993)	(231,601)	(124,496)
Loss per share (basic and diluted)	(0.02)	(0.01)	(0.01)
Weighted-average shares outstanding	18,297,213	16,074,357	15,676,299

Selected Financial Information

Statements of Loss and Deficit, Three Months Ended,	January 31, 2007 ($)	January 31, 2006 ($)
Total revenue	—	—
Research and development costs, net of government assistance	(209,358)	(82,943)
Stock-based compensation expenses	(66,191)	(12,000)
Office and general administrative expenses	(171,232)	(90,112)
Other expenses	(5,212)	(12,863)
Net loss for the period	(451,993)	(197,918)
Loss per share (basic and diluted)	(0.02)	(0.01)
Deficit, at end of period	(4,399,063)	(3,299,391)

Balance Sheets	January 31, 2007 ($)	October 31, 2006 ($)
Total assets	769,011	807,307
Total liabilities	533,397	1,146,778
Share capital	4,250,990	3,285,593
Contributed surplus	383,687	322,006
Deficit, at end of year	(4,399,063)	(3,947,070)

Comparison of Quarterly Results

Results of Operations

An operating loss of $451,993 or $0.02 per share was incurred for the quarter ended January 31, 2007, which compares to an operating loss of $197,918 or $0.01 per share for the corresponding quarter ended January, 2006. The increase in expenses is attributable primarily to higher research and development costs, a smaller amount of government assistance available to reduce research and development costs, an increase in engineering and management staff and the addition of initial stock exchange listing fees.

Research and Development Expenses

In the first quarter of fiscal 2007, the Corporation continued to dedicate significant resources to research and development of its technology, particularly through third party contractors. Gross research and development costs incurred during the three-month period ended January 31, 2007 were $365,309 compared to $82,943 in the corresponding period in fiscal 2006. A portion of these expenses were recovered through two government programs (none in the corresponding previous period) as described below. Research and development costs, net of these government contributions, were $209,358 in the three-month period ended January 31, 2007 and $82,943 in the three-month period ended January 31, 2006.

Research and development costs are comprised of two main categories: wages and benefits and third party subcontractors and materials.

For the Three-Months Ended	January 31, 2007 ($)	January 31, 2006 ($)
Wages and benefits	81,677	75,961
Subcontractors and materials	283,632	6,982
Gross research and development costs	**365,309**	**82,943**
Less		
Investment tax credit benefits recorded	65,354	-
SDTC funding	90,597	-
Research and development costs, net	**209,358**	**82,943**

The slight increase in wages and benefits was due to the addition of one engineering staff position. The subcontractor costs increased due to significant ramping up of a commercial instrument design and manufacturing contract with a U.S. based supplier.

The Corporation anticipates that remaining development costs to bring the technology to commercialization will be approximately $500,000.

Stock Based Compensation Expenses

Stock-based compensation has increased to $66,191 in the three-month period ended January 31, 2007 from $12,000 for the comparable period in fiscal 2006. The increase was primarily due to issuance of stock options to key management employees and directors on January 19, 2007.

Office and General Administrative Expenses

Office and administrative expenses increased to $171,232 in the three-month period ended January 31, 2007 versus $90,112 in the corresponding period in fiscal 2006 primarily as a result of increases in financial consulting, auditing and listing fees. The table below outlines the key components that comprise office and administrative expenses.

For the three-months ended,	January 31, 2007 ($)		January 31, 2006 ($)	
Legal and professional fees	30,349	18%	16,363	18%
Consulting	42,350	25%	7,950	9%
Travel	4,526	3%	4,476	5%
Wages	24,132	14%	36,874	41%
Rent and utilities	15,641	9%	13,893	15%
Other	54,234	31%	10,556	12%
Total	**171,232**	**100%**	**90,112**	**100%**

Legal and professional fees were up considerably in the first quarter of fiscal 2007 compared to first quarter of fiscal 2006 primarily due to an increase in auditing fees. The consulting fee increase in the same period was primarily related to the retention of accounting and financial support. Wages decreased slightly due to a decrease in accounting staff, but with a corresponding increase in subcontract costs for accounting.

Other Expenses

In the other expenses category, listing costs of $36,996 were the primary reason why the expenditures rose to $54,234 in the three-month period ended January 31, 2007 versus $10,555 in the corresponding period in fiscal 2006.

Capital Resources and Liquidity

The Corporation's financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future.

The Corporation has incurred significant losses since incorporation and as at January 31, 2007, the Corporation has an accumulated deficit of $4,399,063. The Corporation's ability to continue as a going concern is dependent upon achieving profitable operations, the continued financial support of its lenders and the ability to obtain additional debt or equity financing. The outcome of these matters cannot be predicted at this time. During the quarter, the Corporation completed an initial public offering which provided net proceeds of $933,487.

Funds used in operations, being net loss adjusted for non-cash operating items and changes in non-cash working capital items, was $1,140,553 for the three-month period ended January 31, 2007 compared to $93,960 for the three-month period ended January 31, 2006. The large increase was due to a $531,784 pay-down in accounts payable and accrued liabilities as well as the higher research and development costs.

Since inception, Synodon has financed its working capital requirements primarily through proceeds received from equity and debt financing. Financing activities during the quarter ended January 31, 2007 consisted primarily of cash in the amount of $1,403,750 from the issuance of stock through an initial public offering and $27,400 from the exercise of option and warrants. Financing activities during the quarter ended January 31, 2006 consisted primarily of cash received from the issuance of a convertible note for proceeds of $25,000 and a deposit on share subscription of $50,000.

Related Party Transactions

In the quarter ended January 31, 2007, a director and officer provided services to the Corporation through lease agreements. In addition, interest was incurred on debt outstanding to directors of the Corporation. These related party transactions occurred during the normal course of the Corporation's operations and are measured at their exchange amounts, which is the consideration amount established and agreed upon between the Corporation and the related parties.

The Corporation leased facilities used by the Corporation from an officer who is also a shareholder. Total rental payments for the quarter ended January 31, 2007 were $1,500 and for the corresponding period in fiscal 2006 were $1,500.

Outstanding Share Data

As at March 20, 2007 there were 20,248,050 Common Shares issued and outstanding as well as 1,540,000 options and 2,424,431 warrants to purchase Common Shares.

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Corporation. Based on an evaluation of the Corporation's disclosure controls and procedures as of the end of the period covered by this MD&A, certain weaknesses have been identified which needed to be corrected. As a consequence, the Corporation developed and adopted a series of policies and procedures which management believes are effective in providing reasonable assurances that material items requiring disclosure are identified and reported in a timely manner.

Internal Controls over Financial Reporting

Internal controls over financial reporting ("ICFR") are designed to provide reasonable assurances regarding the reliability of the Corporation's financial reporting and its preparation of financial statements for external purposes in accordance with Canadian GAAP. Management's documentation and assessment of the design of the Corporation's ICFR is underway as of the date of this MD&A. Management has identified certain areas where it can enhance process controls, such as a lack of segregation of duties because of limited staff resources, and intends to incorporate such enhancements into the ICFR over the next twelve months. However, the Corporation believes that these control weaknesses have not caused any material information to be withheld in its financial disclosure, or impacted reported financial results.

Critical Accounting Estimates

In preparing the Corporation's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Critical accounting estimates identified by management include the amount of development expenditures expensed as opposed to capitalized; the estimate for ITCs recoverable; the fair value of options and common share purchase warrants; the allocation of proceeds on the issuance of convertible promissory notes; and the income tax valuation allowance.

All costs of research activities are expensed in the period in which they are incurred.

Development costs are charged as an expense in the period incurred unless a development project meets stringent criteria for cost deferral and amortization. The Corporation assesses whether these costs have met the relevant criteria for deferral and amortization at each reporting date. No development costs have been deferred to date.

The Corporation is required to estimate the recoverability of ITCs claimed. The claims are subject to approval by the Canada Revenue Agency. The Corporation records its best estimate of ITCs earned as a reduction of expenditures in the year in which they are earned and when there is likely assurance of their recovery. The Corporation's estimate for ITCs earned is based on actual research and development expenditures incurred and the Corporation's historical assessments by the CRA for similar expenditures.

An estimate is made of the cost of the Corporation's stock-based compensation and other stock-based payments made in exchange for goods and services. The Corporation has adopted the Black-Scholes model for its fair value base method of accounting for stock options. Option-pricing models require the input of highly subjective assumptions regarding expected volatility. Changes in assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Corporation's stock options at the date of grant.

With respect to income taxes, the Corporation has a net tax benefit resulting from non-capital losses carried forward, pools of scientific research and experimental development expenditures and investment tax credits. In view of the Corporation's losses since inception and expected future losses, we are of the opinion that it is unlikely that these tax assets will be realized in the foreseeable future and hence, a full valuation allowance has been recorded against these income tax assets. Accordingly, no future income tax assets are recorded on the balance sheets.

Financial Instruments

Fair Value

Canadian generally accepted accounting principles require that the Corporation disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The Corporation's financial instruments consist of cash, accounts receivable, share subscription receivable, investment tax credits recoverable, accounts payable and accrued liabilities, notes payable, deposit on share subscription and deposit on distribution rights. The Corporation estimates that the fair value of these financial instruments approximate their carrying values due to the relatively short periods to maturity of these instruments.

Off-Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements.

Recent Accounting Pronouncements

In June 2005, the CICA issued Handbook Section 3831, Non-Monetary Transactions, which establishes that all non-monetary transactions be measured at their fair value unless, generally, they lack commercial substance or their fair value is not reliably measurable. This new Section is effective for non-monetary transactions initiated in periods beginning on or after January 1, 2006. The extent of the impact on the Corporation will depend on the extent and nature of future non-monetary transactions.

The following summarizes recent accounting pronouncements and the potential impact on the Company:

Accounting Changes

In July 2006 the CICA issued revised Section 1506, *Accounting Changes*. The main features are as follows:

- Voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information.
- Changes in accounting policy are applied retrospectively unless doing so is impracticable.
- Prior period errors are corrected retrospectively.
- New disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors.

The revised Section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2007. The requirements of this new section will be addressed as circumstances dictate.

Capital Disclosures

In December 2006, the CICA issued a new accounting standard on disclosures about capital. Section 1535, Capital Disclosures, must be implemented no later than the first reporting period in the first fiscal year beginning on or after October 1, 2007. Section 1535 requires an entity to disclose information about its objectives, policies and processes for managing capital, as well as its compliance with any externally imposed capital requirements. The Section requires entities to describe and provide quantitative data about what they manage as capital. The Company is analyzing the additional disclosure requirements and will address them at an appropriate future date.

International Financial Reporting Standards

Within the next five years, Canadian generally accepted accounting principles for publicly accountable enterprises are expected to be replaced with International Financial Reporting Standards (“IFRSs”). The CICA anticipates a five-year transition period (ending around 2011). The Company will address the impact of the adoption of IFRSs as and when the transition requirements become more clearly defined. It is possible that the adoption of IFRS will have a material impact on the Company’s financial statements.

Contractual Obligations

The Corporation has entered into lease and other agreements in the normal course of business which obligate it to undertake certain activities and make payments over the term of these agreements.

Note on Forward-Looking Statements

This MD&A includes forward-looking statements about Synodon Inc including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as ‘expects’, ‘anticipates’, ‘intends’, ‘plans’, ‘believes’ or negative versions thereof and similar expressions. In addition, any statements that may be made concerning future financial performance (including revenues, earnings and growth rates), ongoing business strategies and prospects, and possible future action on the Corporations part, are also forward-looking statements and reflect our current beliefs and are based on information currently available to us and on assumptions we believe are reasonable. Actual results and developments may differ materially from the results and developments discussed in the forward-looking statements as they are subject to a number of significant risks and uncertainties which can be beyond our control. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. We are under no obligation (and expressly disclaim such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise unless otherwise required by applicable securities legislation.