SYNODON

sensing the World,
delivering Inteligence

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

FOR THE QUARTER ENDED JANUARY 31, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (“MD&A”) was prepared as of March 23, 2009 and should be read in conjunction with the Company's interim financial statements for the three month period ended January 31, 2009. In addition, this MD&A should be read in conjunction with the MD&A and the audited annual financial statements for the year ended October 31, 2008 and the notes contained therein. The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and in the Company’s reporting currency which is the Canadian dollar. Synodon is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia. The Company’s shares trade on the TSX Venture Exchange under the symbol “SYD”.

Additional information relating to the Company 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

This section is forward-looking by nature. It is qualified entirely by the section “Note Regarding Forward-looking Statements”, on page 16 of this MD&A. It is also qualified by the section “Risks Relating to the Business”, beginning on page 10 of this MD&A.

Synodon Inc. is an advanced remote sensing technology company which has developed a proprietary platform technology called realSens™ (the "Technology") that has been proven to be capable of measuring small ground-level gas concentrations from an aircraft flying up to 300 metres 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 designed to be 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 tested and is tuned to detect ethane, which enables a broad range of applications in the natural gas industry while a 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 prototype 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 $8.6 million primarily for product research and development but also for initial marketing, advertising, promotion and public relations activities. The Company has not been profitable since its inception and expects to incur further losses in continuing the development and testing of its product. However, the Company expects to start generating revenues in fiscal year 2009 now that its realSens™ technology is in final field trials and customer demonstrations. The Company is currently implementing marketing and sales strategies for its product.

The Company has expensed all research and development and prototype costs as incurred with no development costs being capitalized. The Company has not yet met the specific criteria under Canadian GAAP related to technical, market and financial feasibility to allow for the capitalization of development costs. At October 31, 2008, the Company had approximately $5,470,000 of non-capital losses available to reduce future taxable income and $175,800 of investment tax credits available to reduce income taxes payable.

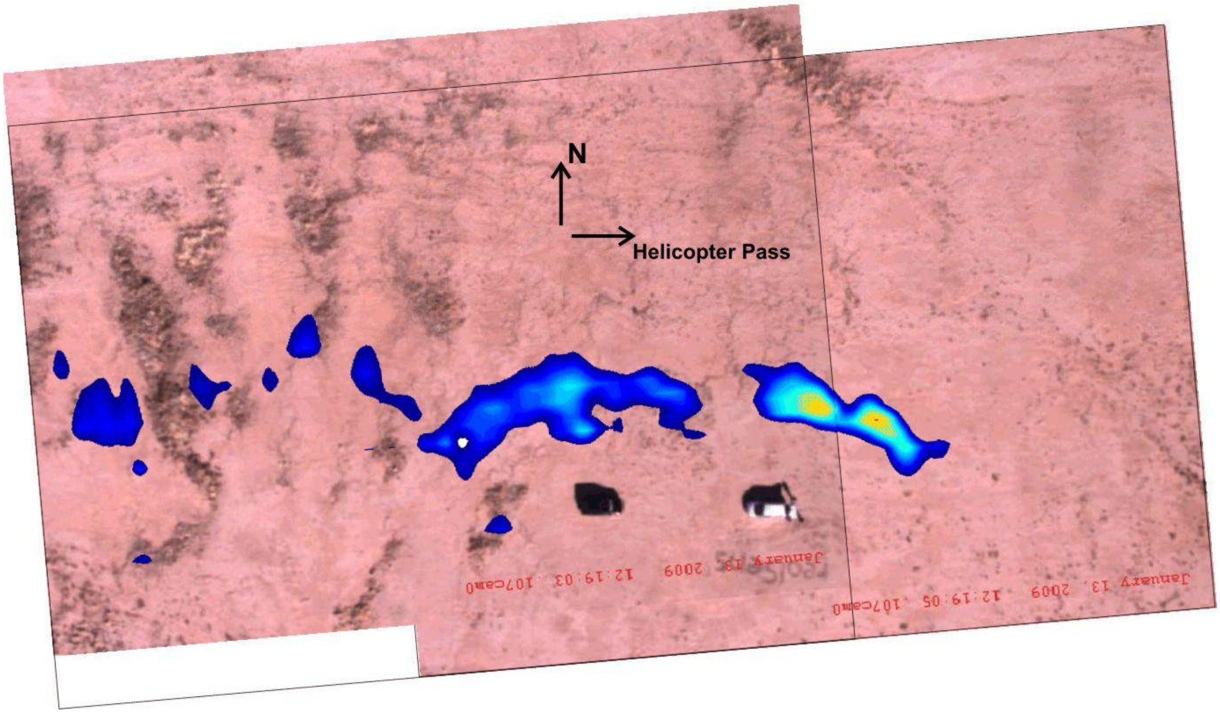
Main Accomplishments during the Period

This section is forward-looking by nature. It is qualified entirely by the section "Note Regarding Forward-looking Statements", on page 16 of this MD&A. It is also qualified by the section "Risks Relating to the Business", beginning on page 10 of this MD&A.

The primary accomplishments were the completion of the first successful flight tests, manufacturing of a new infrared detector assembly for the realSens™ instrument, the addition of methane sensing capability and the successful completion of a customer demonstration.

Third Party Witnessed Technology Demonstration

The Company has completed a series of flight tests in December 2008 and January 2009 that concluded in a third party witnessed demonstration on January 13, 2009. Present were a number of representatives from pipeline operators and other related companies from Canada, USA, Mexico and Israel. During the test, the Company successfully demonstrated the ability to detect ethane levels typically present in natural gas pipeline leaks and presented the results within 24 hours of the flight. The image below shows a typical image of the detected gas plume.



Next Steps

Following the successful technology demonstration, the Company intends to perform a number of demonstrations on operational pipeline networks for a few specific natural gas pipeline operators with which it also intends to initiate contract negotiations shortly following these tests. The foregoing sentence contains forward-looking statements. It is qualified entirely by the section “Note Regarding Forward-looking Statements”, on page 16 of this MD&A. It is also qualified by the section “Risks Relating to the Business”, beginning on page 10 of this MD&A.

Summary of Quarterly Results

Quarterly Statement of Loss	Three Months Ended 31/01/2009 ($)	31/10/2008 ($)	31/07/2008 ($)	30/04/2008 ($)	31/01/2008 ($)	31/10/2007 ($)	31/07/2007 ($)	30/04/2007 ($)
Net loss for the period	($516,013)	($447,315)	($391,617)	($367,743)	($360,068)	($368,334)	($621,654)	($364,207)
Loss per share (basic and diluted) (1)	($0.02)	($0.02)	($0.02)	($0.02)	($0.02)	($0.02)	($0.03)	($0.02)
Weighted-average shares outstanding	22,697,143	21,348,651	20,872,712	20,830,689	20,733,597	20,315,502	20,249,023	20,247,904

(1) Quarterly earnings per share are not additive and may not equal the annual earnings per share reported. This is due to the effect of shares issued during the year on the weighted average number of shares outstanding.

Selected Financial Information

Statements of Loss and Deficit, Three-Month Periods Ended	January 31, 2009 ($)	January 31, 2008 ($)
Total revenue	—	—
Research and development costs, net of government assistance	(161,239)	(178,130)
Stock-based compensation expenses	(69,548)	(17,049)
Office and general administrative expenses	(171,770)	(110,945)
Sales and marketing expenses	(35,951)	(1,800)
Other revenue and expenses	(77,506)	(52,144)
Net loss for the quarter	(516,014)	(360,068)
Loss per share (basic and diluted)	(0.02)	(0.02)
Deficit, at end of period	(7,836,015)	(6,113,326)

Balance Sheets	**January 31, 2009 ($)**	**October 31, 2008 ($)**
Total assets	**144,387**	**270,444**
Total liabilities	**1,903,127**	**1,582,719**
Share capital	**4,845,322**	**4,845,322**
Warrants on issue of units	**336,551**	**528,743**
Contributed surplus	**895,401**	**633,661**
Deficit, at end of period	**(7,836,015)**	**(7,320,001)**

Comparison of Three Month Periods Ended January 31, 2009 and January 31, 2008

Results of Operations

An operating loss of $516,014 or $0.02 per share was incurred for the period ended January 31, 2009, which compares to an operating loss of $360,068 or $0.02 per share for the period ended January 31, 2008. The operating loss increase is attributable to increases in foreign exchange losses, sales and marketing, stock based compensation and general administrative expenses which are offset by a decrease in research and development expenses.

Research and Development Expenses

During the three month period ended January 31, 2009, gross research and development costs incurred were $566,464 compared to $189,920 in the corresponding period in 2008. A portion of these expenses were recovered through government assistance as described below. Research and development costs, net of these government contributions, were $161,239 in the three month period ended January 31, 2009 and $178,130 in the corresponding period in 2008. Research and development costs are comprised of two main categories: wages and benefits and third party subcontractors and materials.

For the three month periods ended	**January 31, 2009 ($)**		**January 31, 2008 ($)**	
Wages and benefits	57,559	36%	96,989	55%
Subcontractors and materials	508,905	315%	92,931	52%
Gross research and development costs	**566,464**	**351%**	**189,920**	**107%**
Less				
SDTC funding	(87,225)	(54%)	(11,790)	(7%)
IERD funding	-	0%	-	0%
AVAC funding	(318,000)	(197%)	-	0%
Research and development costs, net	**161,239**	**100%**	**178,130**	**100%**

The subcontractor and material costs increased significantly due to the costs associated with the purchase of the first commercial detectors for the realSens™ instrument. The wages costs have decreased due to the substantial completion of the commercial instrument.

Recoveries of Research and Development Expenses

During fiscal 2008, the Company entered into a funding agreement with Canada Foundation for Sustainable Development Technology ("SDTC") for the purpose of fostering the development and adoption of technologies that contribute to a sustainable development technology infrastructure in Canada by contributing to the rapid development, demonstration and pre-commercialization of technological solutions which address climate change and air quality. Upon the Company attaining pre-determined milestones, SDTC will fund the lesser of $332,813 or 32.47% of the eligible project costs, less a 10% holdback. The Company has received an advance of $299,532 ($332,813 less 10% holdback) for the project. As at January 31, 2009, the Company had earned $257,958 of the project funding. The balance of $41,574 has been recorded as deferred government assistance. The completion of the project is scheduled for September 30, 2009. During the period ended January 31, 2009, $87,225 [January 31, 2008 - $11,790 representing the final amount related to a similar program entered into in 2006] of SDTC funding has been included as a reduction of research and development costs.

On December 12, 2008, the Company signed a contribution agreement with SDTC to receive $110,000 of funding to be used towards the costs of an independent third party technology verification. On December 19, 2008, the Company received the first advance on the contract of $38,000. The entire $38,000 has been recorded as deferred government assistance and will be expensed as earned.

At January 31, 2009, included in accounts receivable is a $65,000 holdback associated with the SDTC contract signed in 2006. The $33,281 holdback associated with the 2008 contract will be recorded as accounts receivable when the full amount of government assistance has been earned.

On December 18, 2008, AVAC Ltd., through its Capacity Builder program, committed a $1.3 million contribution to the realSens™ project. The funds will be dispersed on a completed milestone basis over the next 12 months. The contribution will be used to support the deployment of the technology into the commercial marketplace.

The funding is milestone based and is received upon successful completion of technical and marketing milestones. The contribution is repayable by way of a royalty based on 1.5% of revenue earned, beginning in October 2009 up to a maximum of two times the contribution.

During the period ended January 31, 2009, the Company received $318,000 under this program. The whole amount has been earned and thus appears as a reduction to research and development expenses as the completion of Milestone #1 was technical based.

Stock Based Compensation Expenses

Stock-based compensation has increased to $69,548 in the three month period ended January 31, 2009 from an expense of $17,049 in the corresponding period in 2008. The increase is due to a grant for 300,000 options to purchase common shares to officers and employees which vest over a thirteen month period and are exercisable at $0.30 per option. This was partially offset by the cancellation of 100,000 options previously granted to an employee who has left the Company.

Office and General Administrative Expenses

Office and administrative expenses increased to $171,770 in the three month period ended January 31, 2009 versus $110,945 in the corresponding period in 2008 as a result of decrease in consulting offset by increases in wages, other and rent expenses. The table below outlines the key components that comprise office and administrative expenses.

For the three month period ended	**January 31, 2009 ($)**		**January 31, 2008 ($)**	
Legal and professional fees	**27,441**	**16%**	**26,871**	**24%**
Consulting	**175**	**0%**	**16,107**	**15%**
Travel	**21,719**	**13%**	**16,075**	**14%**
Wages	**78,963**	**46%**	**15,378**	**14%**
Rent and utilities	**23,081**	**13%**	**20,737**	**19%**
Other	**20,391**	**12%**	**15,777**	**14%**
Total	**171,770**	**100%**	**110,945**	**100%**

Consulting fees were down, while wage expense increased in the three month period ended January 31, 2009 compared to the corresponding period in 2008 due to the fact that a CFO was hired in the second quarter of 2008 as an employee and the part time contract financial services, in the period ended January 31, 2008 were no longer incurred. Rent expenses increased between the two periods due to an increase in utilities rates. Travel has increased between the two periods as a result of the increase in customer technology demonstrations. Other expenses have increased between the two periods as a result of the increase in insurance and lab supplies, as the instrument will be moved to the Company's premises in spring 2009.

Sales and Marketing Expenses

Sales and Marketing expenses were $35,951 for the quarter ended January 31, 2009 compared to $1,800 in the same corresponding period last year. The increase in expenses is due to the fact that the commercialization process was initiated and a market study was commissioned as part of this process. An investor relations company has also being engaged by the Company. Sales and marketing costs will continue to become more significant as the company moves into its operational phase.

Other Expenses

The foreign exchange expense increased significantly to $52,411 in the three month period ended January 31, 2009 versus $29,368 in the same corresponding period last year. The increase is primarily due to the decline in the Canadian dollar relative to the U.S. dollar related to approximately $450,000 in USD denominated payables as at January 31, 2009.

Comparison of Balance Sheets Dated January 31, 2009 and October 31, 2008

Total Assets

The decrease in total assets as of January 31, 2009 of $126,057 ($144,387 vs. $270,444 – as at October 31, 2008) was primarily due to use of the cash held in trust at October 31, 2008 to settle some of our obligations during the period ended January 31, 2009.

Total Liabilities

There is an increase of $320,408 in liabilities from $1,582,719 at October 31, 2008 to $1,903,127 at January 31, 2009. The increase is approximately comprised of employee wages and expenses- $62,000, current trade payables - $300,000 and accrued liabilities - $8,000, offset by the earning of $50,000 of the government assistance received.

Capital Resources and Liquidity

The Company's financial statements have been prepared by management in accordance with Canadian GAAP 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 Company has incurred significant losses since incorporation and as at January 31, 2009, the Company has an accumulated deficit of $7,836,015. The Company's ability to continue as a going concern is dependent upon achieving profitable operations, the continued financial support of its investors and the ability to obtain additional debt or equity financing. The outcome of these matters cannot be predicted at this time. At present, the Company does not have sufficient cash to continue its activities in the normal course of business. The Company is currently seeking a new round of financing which must be completed or some other financing obtained in order to continue in business.

Funds used in operations, being net loss adjusted for non-cash operating items, was $445,062 for the quarter ended January 31, 2009 compared to $341,706 for the corresponding period in 2008. The Company believes that funds used in operations, which does not have a standardized meaning under GAAP, is a useful supplemental measure as it provides an indication of cash flow used in our operations during the year. This non-GAAP measure may not be comparable to similar measures presented by other companies.

A reconciliation of cash used in operating activities to funds used in operations follows:

	January 31, 2009 $	**January 31, 2008 $**
Cash used in operating activities	**(107,792)**	**(109,496)**
Add (deduct) changes in non-cash operating working capital	**(337,270)**	**(232,210)**
Funds used in operations	**(445,062)**	**(341,706)**

On December 12, 2008, the Company signed a contribution agreement with SDTC to receive $110,000 of funding to be used towards the costs of Environmental Technology Verification Certification in Canada and the U.S. On December 19, 2008, the Company received the first advance on the contract of $38,000. The entire $38,000 has been recorded as deferred government assistance and will be expensed as earned.

The holdback outstanding is currently $65,000. The Company expects to receive payment for all holdbacks at the completion of Milestone #4.

On December 18, 2008, AVAC Ltd., through its Capacity Builder program, committed a $1.3 million investment to the realSens™ project. The funds will be dispersed on a completed milestone basis over the next 12 months. The investment will be used to support the deployment of the technology into the commercial marketplace.

The funding is milestone based and is received upon successful completion of technical and marketing milestones. The contribution is repayable by way of a royalty based on 1.5% of revenue earned, beginning in October 2009 up to a maximum of two times the contribution.

During the quarter ended January 31, 2009, the Company received $318,000 under this program. The whole amount has been earned and thus appears as a reduction to research and development expenses as the completion of Milestone #1 was technical based.

Related Party Transactions

During the quarters ended January 31, 2009 and 2008, interest of $54 (2008 - $1,373) was incurred on debt outstanding to directors of the Company. These related party transactions occurred during the normal course of the Company's operations and are measured at their exchange amounts, which is the amount established and agreed upon between the Company and the related parties.

The Company leased facilities used by the Company from the Chief Science Officer who is also a shareholder. Total rental payments for the quarter ended January 31, 2009 were $1,500 and for the corresponding period ended January 31, 2008 were $1,000.

Outstanding Share Data

As at March 23, 2009, there were 22,697,143 common shares issued and outstanding, as well as 2,260,000 options and 2,238,026 warrants to purchase common shares.

Subsequent Events

Signing of a Distribution Option Agreement for Latin America

On March 2, 2009 the Company signed a realSens™ service distribution option agreement with the U.S. subsidiary of an international services company ("Third Party") and received the associated sign up fee. The agreement gives the Third Party the option to purchase the realSens™ pipeline leak detection rights for Venezuela, Mexico, Colombia, Guatemala, Belize, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Ecuador. The distributorship will be for a period of three years which can be automatically renewed for a further five years upon successful completion of annual performance targets. The Third Party also receives a first right of refusal on Argentina, Peru, Brazil, Bolivia, Chile, Spain and Portugal, if the first three years' annual performance targets are met and an expanded territory fee is paid.

The option expires August 30, 2009. In the event of expiry, the Third Party can elect to receive common shares of Synodon at prevailing market prices, in the amount of the associated sign up fee, by giving notice of such intention by August 30, 2009.

Risks Relating to the Business

Reliance on Third Parties

The Company has entered into contracts with certain third parties for the manufacture and enhancement of its products. Thus, the Company is dependent on the financial health and ongoing operational capabilities of these third parties for its own success. The Company may experience a delay in commercialization and a decline in revenues and profitability may be impacted if its manufacturing needs cannot be met.

Failure to Provide Adequate Service

The Company's ability to provide quality service and to meet the demand for its services depends upon its ability to retain an adequate number of trained personnel. The Company operates in an industry characterized by highly competitive labour markets and, similar to many of its competitors, it may experience high employee turnover. It is possible that the Company's labour expenses may increase due to a shortage in the supply of skilled field technicians and the Company's efforts to reduce employee turnover. The Company cannot be certain that it will be able to improve its employee retention rates or maintain an adequate skilled labour force necessary to operate efficiently and to support its growth strategy. Failure to do so could impair its ability to operate efficiently and to retain current customers and prospective customers, which could cause the Company's business to suffer materially.

Failure to Manage Growth Successfully

The Company's growth will place demands on its managerial and operations resources. If the Company is unable to manage its growth effectively, this could have a material adverse effect on its financial condition and the results of its operations.

Dependence on Key Employees

The success of the Company is dependent upon the retention of certain key executives and employees. Specifically, the Company's continued success and future development of its technology is dependent on Dr. Boyd Tolton who is the inventor of the Company's realSens™ technology and Doug Miller, its principal technical architect. The future success of the Company will be dependent upon the Company's ability to attract and retain additional qualified personnel to manage the daily operations of the Company as well as identify, investigate and negotiate future acquisitions and manage, oversee and staff acquired operations.

Litigation

The Company may be involved in disputes with other parties in the future, which may result in litigation. If the Company is unable to resolve these disputes favourably, its business may be materially and adversely affected.

Intellectual Property

The Company's success will depend, in part, on its ability to obtain valid patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties or having third parties circumvent the Company's rights. The patent positions of technology companies can be highly uncertain and involve complex legal and factual questions. Thus, there can be no assurance that any patent applications made by or on behalf of the Company will result in the issuance of patents, that the Company will develop additional proprietary products that are patentable, that any patents issued or licensed to the Company will provide the Company with any competitive advantages or will not be challenged by any third parties, that the patents of others will not be able to circumvent the patents assigned or licensed to the Company. Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of the Company's products or, if patents are issued and licensed to the Company, design around the patented products developed for the benefit of the Company.

To date, the Company is unaware of infringement claims made or being made against it. As the development of its products continue and increase, the potential uses of its products may overlap with other products and, as a result, may increasingly become subject to claims of infringement. There can be no assurance that third parties will not assert infringement claims against the Company in the future or require the Company to obtain a license for the intellectual property rights of third parties. There can be no assurance that such licenses, if required, will be available on reasonable terms, or at all. If the Company does not obtain such licenses, it could encounter delays in the introduction of products or could find that the development, manufacture or sale of products requiring such licenses could be prohibited. In addition, the Company could incur substantial costs in defending itself in suits brought against the Company on patents it might infringe on, or in filing suits against others to have such patents declared invalid.

Much of the Company's know-how and technology may not be patentable. To protect its rights, the Company will require employees, consultants, advisors and collaborators to enter into confidentiality agreements. There can be no assurance, however, that these agreements will provide meaningful protection for the Company's trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure.

Litigation may be necessary to enforce patents issued or assigned to the Company, or to determine the scope and validity of a third party's proprietary rights. The Company could incur substantial costs if litigation is required to defend itself in patent suits brought by third parties, or if the Company initiates patent suits or participates in such suits brought against or initiated by its subsidiaries or collaborators, and there can be no assurance that funds or resources or collaborators would prevail in any such action. An adverse outcome in litigation or in an interference or other proceeding in a court or patent office could subject the Company to significant liabilities, require disputed rights to be licensed from other parties or require the Company to cease using certain technology or products, and of which may have a material adverse effect on the Company.

Limited Operating History

The Company was founded in August 2000 and has been focusing its activities at developing its realSens™ technology. Accordingly, there is a limited operating history upon which to base an evaluation of the Company and its business and future prospects. In addition, the Company has no history of generating revenue or track record of selling its services. The Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets. There can be no assurance that Synodon will be successful in doing what is required to address such concerns.

Product Testing

Results of testing of the Company's product have not yet been independently verified. Although there have been tests performed by the Company that demonstrated the technology’s ability at detecting natural gas remotely and at fulfilling the requirements of the target customer base, no independent party has verified the efficacy or accuracy of such test results.

International Sales

Sales outside of Canada are anticipated to represent a substantial portion of the Company’s total gross revenues. Management believes that for the Company to grow and become profitable, it will require sales in foreign markets. To the extent that the Company is unable to expand international sales in a timely and cost-effective manner, its business, operating results, and financial condition could be materially adversely affected. In addition, even with the successful recruitment of such additional personnel and international resellers, there can be no assurances that the Company will be successful in maintaining or increasing international market demand for its products.

Currency Risk

A substantial portion of the Company’s revenue is expected to be realized in currencies other than Canadian dollars. Fluctuations in the exchange rate between the Canadian dollar and such other currencies may have a material effect on the Company’s results of operations. To the extent the Company may seek to implement substantial hedging techniques in the future with respect to its foreign currency transactions, there can be no assurances that the Company will be successful in such hedging activities.

Need to Enhance Management Systems

The Company anticipates a period of significant growth in personnel that in time will place strain upon its management systems and resources. In addition, as the Company experiences the anticipated growth in sales, the Company will be required to continue to improve its financial and management controls, reporting systems and procedures on a timely basis and to expand, train and manage its employee work force. There can be no assurances that the Company will be able to effectively manage such growth. The Company's failure to do so could have a material adverse effect upon its business, operating results, and financial condition.

Negative Cash Flow and Absence of Profits

The Company has not earned profits to date and has incurred significant losses through its product development phase. There are no assurances that it will earn profits in the future, or that profitability, if achieved, will be sustained. A significant portion of the Company's financial resources have been, and will continue to be, directed to the development of its products and services and marketing activities. The success of the Company will ultimately depend on its ability to generate revenues from its operations, such that the business development and marketing activities may be financed by revenues from operations instead of external financing. There are no assurances that future revenues will be sufficient to generate the required funds to continue the business development and marketing activities.

Additional Financing

Additional financing will be required to fund the Company's operations, further research and development activities, costs of commercializing the Technology as well as capital requirements for future growth through acquisitions. There can be no assurance that such financing will be available on reasonable terms, or at all, to meet future requirements. If any such additional financing is obtained, it could entail a dilution of the net tangible book value of the common shares. If additional financing is not available, the Company may be required to curtail its activities and may not be able to continue in business. The current economic climate is an additional risk and may have an impact on the Company’s ability to raise future financings.

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company. Based on an evaluation of the Company’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 Company 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 Company’s financial reporting and its preparation of financial statements for external purposes in accordance with Canadian GAAP. 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 Company 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 Company's financial statements in conformity with Canadian GAAP, 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 fair value of common share options and common share purchase warrants; 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 Company 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.

An estimate is made of the cost of the Company's stock-based compensation, warrants and other stock-based payments made. The Company has adopted the Black-Scholes model for its fair value based method of accounting for stock options and warrants. 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 Company's stock options and warrants at the date of grant.

With respect to income taxes, the Company 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 Company's losses since inception and expected future losses, we believe 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 GAAP requires that the Company 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 Company's financial instruments consist of cash, accounts receivable, subscriptions receivable, accounts payable, notes payable, loans from directors and deposit on distribution rights. The Company 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 Company does not have any off-balance sheet arrangements

CHANGES IN ACCOUNTING POLICIES

Effective November 1, 2008, the Company adopted the following new accounting policies:

CICA 3064 – Goodwill and Intangible Assets

In February 2008, the CICA issued CICA 3064 - Goodwill and Intangible Assets that supersedes CICA 3062 - Goodwill and Other Intangibles and CICA 3450 - Research and Development Costs. CICA 3064 provides additional guidance on when expenditures qualify for recognition as intangible assets and requires that costs be deferred only when relating to an item meeting the asset definition. This new accounting standard is effective for interim or annual financial statements relating to fiscal years beginning on or after October 31, 2008. There was no effect on the Company of adopting this standard.

RECENT ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

In January 2009, the CICA issued CICA 1582, Business Combinations which requires that all assets and liabilities of an acquired business be recorded at fair value at acquisition. Obligations for contingent considerations will also be recorded at fair value at the acquisition date. CICA 1582 also states that acquisition-related costs be expensed as incurred and that restructuring charges be expensed in the periods after the acquisition date. CICA 1582 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011. The Company does not expect that the adoption of this standard will have an effect on its financial statements.

In January 2009, the CICA issued CICA 1601, Consolidations and CICA 1602, Non-controlling Interests. CICA 1601 establishes standards for the preparation of consolidated financial statements. CICA 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after Janary 1, 2011. The Company does not expect that the adoption of this standard will have an effect on its financial statements.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian public companies will be required to adopt International Financial Reporting Standards for years beginning on or after January 1, 2011. The Company is in the process of evaluating the effects of this change in standards on its financial statements.

Note Regarding 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, ongoing business strategies and prospects, and possible future action on the Companys’ part, are also forward-looking statements that reflect our current beliefs and are based on information currently available to us and on assumptions that we believe are reasonable. These assumptions include, but are not limited to, the readiness of the realSens™ technology to commercialize by the end of 2009 and the Company’s ability to predict market demand for our products and services. 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; which include, but are not limited to, general economic conditions in the countries that the Company is pursuing contracts in, currency fluctuations and other changes in the competitive environment that Synodon operates. For more information, please see the discussion on the principal risks that could affect our results under section “Risks Relating to the Business”, beginning on page 10 of this MD&A. 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.