

**Synodon Inc.**  
**Interim Financial Statements**  
*For the Third Quarter Ended July 31, 2009 and 2008*  
*Unaudited*

*Notice: These management prepared, unaudited interim financial statements have not been reviewed by the Company's auditors.*

**Synodon Inc.**  
**(a development stage enterprise)**  
**BALANCE SHEETS**  
[see note 1 – going concern communication]  
(unaudited)

As at

	<u>July 31,</u> <u>2009</u>	<u>October 31,</u> <u>2008</u>
	\$	\$
<b>ASSETS Current</b>		
Cash	180,162	32,476
Cash held in trust	—	111,683
Accounts receivable [note 9]	66,275	65,948
Prepaid expenses and deposits	29,953	39,675
	<u>276,390</u>	<u>249,782</u>
Property and equipment	13,678	12,786
Long-term deposits	—	7,876
	<u>290,068</u>	<u>270,444</u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	1,464,254	1,313,303
Deferred government assistance [note 9]	79,574	128,799
Notes payable [note 3]	214,190	32,500
Loans from Directors [note 4]	2,700	2,700
Current portion of obligations under capital lease [note 7]	—	38,086
Deposit on share subscriptions	166,634	—
Deposit on distribution option [note 6]	81,487	—
Deposit on distribution rights option [notes 5 and 13]	65,875	65,875
	<u>2,074,714</u>	<u>1,581,263</u>
Obligations under capital lease [note 7]	—	1,456
	<u>2,074,714</u>	<u>1,582,719</u>
<b>Commitments and contingencies [notes 5,6,8 and 9]</b>		
<b>Shareholders' deficiency</b>		
Share capital [note 8]	4,845,322	4,845,322
Warrants on issue of note payable [note 8]	40,659	—
Warrants on issue of units [note 8]	336,551	528,743
Contributed surplus [note 8]	981,398	633,661
Deficit	(7,988,576)	(7,320,001)
	<u>(1,784,646)</u>	<u>(1,312,275)</u>
	<u>290,068</u>	<u>270,444</u>

See accompanying notes

**Synodon Inc.****(a development stage enterprise)****STATEMENTS OF LOSS AND COMPREHENSIVE LOSS AND DEFICIT**

(unaudited)

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>July 31,</b>		<b>July 31,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>REVENUE</b>	—	—	—	—
<b>EXPENSES</b>				
Research and development costs, net				
of government assistance [notes 9&10]	<b>(197,662)</b>	107,239	<b>(66,896)</b>	421,772
Sales and marketing	<b>(27,200)</b>	29,511	<b>22,547</b>	34,760
Amortization	<b>1,284</b>	1,374	<b>3,981</b>	4,195
Financing charges and interest	<b>53,934</b>	22,512	<b>101,281</b>	59,584
Foreign exchange (gains) losses	<b>(91,152)</b>	4,430	<b>(56,458)</b>	40,421
Stock-based compensation	<b>39,762</b>	46,292	<b>155,546</b>	103,843
Office and general administrative	<b>164,199</b>	180,259	<b>508,574</b>	454,853
	<b>(56,835)</b>	391,617	<b>668,575</b>	1,119,428
<b>Income (loss) from operations</b>	<b>56,835</b>	(391,617)	<b>(668,575)</b>	(1,119,428)
Other income	—	—	—	—
<b>NET INCOME (LOSS) AND COMPREHENSIVE</b>				
<b>INCOME (LOSS) FOR THE PERIOD</b>	<b>56,835</b>	(391,617)	<b>(668,575)</b>	(1,119,428)
Deficit, beginning of the period	<b>(8,045,411)</b>	(6,481,069)	<b>(7,320,001)</b>	(5,753,258)
<b>Deficit, end of the period</b>	<b>(7,988,576)</b>	(6,872,686)	<b>(7,988,576)</b>	(6,872,686)
<b>Loss per share</b>				
<b>- basic and diluted</b>	—	(0.02)	<b>(0.03)</b>	(0.05)
<b>Weighted average number of</b>				
<b>shares outstanding</b>	<b>22,697,143</b>	20,872,712	<b>22,697,143</b>	20,820,102

*See accompanying notes*

**Synodon Inc.**  
**(a development stage enterprise)**  
**STATEMENTS OF CASH FLOWS**  
(unaudited)

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>July 31,</b>		<b>July 31,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
<b>Net income (loss) for the period</b>	<b>56,835</b>	(391,617)	<b>(668,575)</b>	(1,119,428)
Add charges to operations not requiring a current cash payment:				
Stock-based compensation	<b>39,762</b>	46,292	<b>155,545</b>	103,843
Accretion of notes payable	<b>8,019</b>	—	<b>8,019</b>	—
Non-cash payment for services	—	—	—	50,000
Amortization	<b>1,284</b>	1,374	<b>3,981</b>	4,195
	<b>105,900</b>	(343,951)	<b>(501,030)</b>	(961,390)
Net change in non-cash working capital balances related to operations:				
Accounts receivable	<b>(1,275)</b>	2,593	<b>(327)</b>	(2,379)
Deposit on distribution option	<b>(9,302)</b>	—	<b>81,487</b>	—
Prepaid expenses	<b>16,722</b>	(12,190)	<b>9,722</b>	(16,416)
Accounts payable and accrued liabilities	<b>(87,421)</b>	98,745	<b>370,281</b>	601,700
Deferred government assistance	—	—	<b>(49,225)</b>	(11,790)
<b>Cash used in operating activities</b>	<b>24,624</b>	(254,803)	<b>(89,092)</b>	(390,275)
<b>INVESTING ACTIVITIES</b>				
Purchase of property and equipment	<b>(2,220)</b>	—	<b>(4,873)</b>	(2,277)
<b>Cash used in investing activities</b>	<b>(2,220)</b>	—	<b>(4,873)</b>	(2,277)
<b>FINANCING ACTIVITIES</b>				
Repayment of obligations under capital lease	<b>(22,931)</b>	(3,882)	<b>(39,542)</b>	(6,707)
Long-term deposits	—	(132)	<b>7,876</b>	(880)
Proceeds on disposal of assets	—	—	—	—
Repayment of notes payable	—	—	<b>(5,000)</b>	—
Deposit on share subscriptions	<b>166,634</b>	238,500	<b>166,634</b>	238,500
Issuance of notes payable	—	21,100	—	126,100
Issuance of shares	—	—	—	32,100
Share issuance costs	—	—	—	(750)
<b>Cash provided by (used in) financing activities</b>	<b>143,703</b>	255,586	<b>129,968</b>	388,363
<b>Net increase (decrease) in cash during the period</b>	<b>166,107</b>	783	<b>36,003</b>	(4,189)
Cash, beginning of period	<b>14,055</b>	(29)	<b>144,159</b>	4,943
<b>Cash, end of period</b>	<b>180,162</b>	754	<b>180,162</b>	754
Supplemental cash flow information				
<b>Interest paid</b>	<b>57,917</b>	44,571	<b>63,755</b>	49,727

See accompanying notes

**Synodon Inc.**

(a development stage enterprise)

**NOTES TO FINANCIAL STATEMENTS**

Interim Financial Statements as at July 31, 2009

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**1. NATURE OF BUSINESS AND GOING CONCERN COMMUNICATION****Nature of business**

Synodon Inc. ("Synodon" or the "Company") is an advanced remote sensing technology company which has developed a proprietary platform technology called realSens™ 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 Company is in the final stages of completing the prototype manufacturing of the realSens™ instrument and developing its plan for commercialization and as such is considered a development stage company.

**Going concern communication**

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("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 July 31, 2009, the Company has an accumulated deficit of \$7,988,576. At present, the Company does not have sufficient cash to continue its activities in the normal course of business. The Company's ability to continue as a going concern is dependant 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. These financial statements do not include any adjustment to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business. Such adjustments could be material.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These unaudited interim financial statements should be read in conjunction with the October 31, 2008 annual financial statements as disclosures provided in the interim financial statements do not conform in all respects to the requirements of GAAP for annual financial statements. In management's opinion, the interim financial statements include all adjustments necessary to present fairly such interim financial statements. The same accounting policies and methods are used as in the 2008 financial statements except for the new accounting standard adopted during the quarter as noted below.

**CICA 3064 – Goodwill and Intangible Assets**

Effective November 1, 2008, the Company adopted 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.

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**NOTES TO FINANCIAL STATEMENTS**Interim Financial Statements as at July 31, 2009

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**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 January 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 currently evaluating the effect of this change in standards on its financial statements. To date, no material differences have been identified.

**3. NOTES PAYABLE**

	July 31, 2009	October 31, 2008
	\$	\$
<b>Demand promissory notes</b>		
Notes, bearing interest at 8% per annum	27,500	32,500
Notes, bearing interest at 18% per annum	186,690	0
	<b>214,190</b>	<b>32,500</b>

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During the nine months ended July 31, 2009, the Company repaid promissory notes with a face value of \$5,000

On July 1, 2009, the Company issued (i) a promissory note for \$186,690 (U.S.\$200,000) bearing an annual rate of interest of 18% and (ii) share purchase warrants with a 24 month term and exercisable for 200,000 Class A common shares at \$0.39 per Class A common share, to settle a trade payable with a key long term supplier. The note is due on December 31, 2009, or earlier, and is collateralized by the Corporation's realSens™ instrument. In addition, if the note is still outstanding as of December 31, 2009, the supplier will be granted a license to sell the realSens™ service in the U.S. market until the note is repaid. The warrants have been valued at \$40,659 (note 8) and the note payable is being accreted over the term of the loan up to U.S. \$200,000. The amount of accretion in the quarter ended July 31, 2009 is \$8,019.

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**4. LOANS FROM DIRECTORS**

The loans from Directors consist of the following:

	<b>July 31, 2009</b>	<b>October 31, 2008</b>
	\$	\$
<b>Demand promissory notes</b>		
Notes, bearing interest at 8% per annum	<b>2,700</b>	2,700
	<b>2,700</b>	2,700

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**5. DEPOSIT ON DISTRIBUTION RIGHTS OPTION**

On May 10, 2004, the Company granted a third party the right to purchase the distribution rights in the Saudi Arabian peninsula region in consideration for a fee of \$65,875. The distribution rights option expired on July 31, 2007. However, both parties have agreed to extend the option until the realSens<sup>TM</sup> technology is commercialized. On November 15, 2008, the Company was notified by the third party that it had declined to exercise its option to become a distributor and accordingly has requested its original deposit of \$65,875 under the distribution rights option agreement to be converted into shares of the Company, subject to applicable board and regulatory approvals (see Note 13 for subsequent events update).

**6. DEPOSIT ON DISTRIBUTION OPTION**

On March 2, 2009 the Company signed a realSens<sup>TM</sup> service distribution option agreement with the U.S. subsidiary of an international services company ("Third Party") and received the associated sign up fee of U.S. \$75,000 or Cdn. \$81,487. The agreement gives the Third Party the option to purchase the realSens<sup>TM</sup> 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 Class A common shares of Synodon at prevailing market prices by giving notice of such intention by August 30, 2009 (see Note 13 for subsequent events update).

**7. OBLIGATIONS UNDER CAPITAL LEASE**

During the quarter ended July 31, 2009, the company repaid the entire capital lease obligation.

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**8. SHARE CAPITAL**

	July 31, 2009	October 31, 2008
	\$	\$
<b>Authorized</b>		
Unlimited number of Class A voting common shares		
Unlimited number of Class B voting common shares		
Unlimited number of Class C non-voting common shares		
Unlimited number of Class D non-voting common shares		
Unlimited number of Class E non-voting, redeemable, retractable preferred shares		
<b>Issued and outstanding</b>		
22,697,143 Class A common shares	4,845,322	—
22,697,143 Class A common shares	—	4,845,322
	<b>Number</b>	<b>Total</b>
	<b>of shares</b>	<b>\$</b>
	<b>#</b>	<b>\$</b>
Balance, October 31, 2007	20,746,571	4,239,464
Issued in private placement, net of fair value of warrants of \$284,589	1,517,853	398,445
Issued on exchange of notes payable and accrued interest	306,578	137,960
Costs of issuance of private placement	—	(15,737)
Issued for cash on the exercise of warrants	62,038	32,100
Transfer from warrants issued on issue of units on exercise of warrants	—	3,840
Issued on conversion of debt, net of costs of issuance of \$750	64,103	49,250
<b>Balance, July 31, 2009 and October 31, 2008</b>	<b>22,697,143</b>	<b>4,845,322</b>

**Share options**

Under the Company's incentive stock option plan (the "Plan"), options to purchase common shares may be granted by the Board of Directors to directors, officers, employees or consultants of the Company, or its subsidiaries. The Company has reserved up to 3,404,571 shares available for the settlement of options. The exercise price per share and the vesting period shall be determined at the time of grant by the Board of Directors. Except for the first grant, which vested when specific performance criteria were met, options granted prior to October 31, 2006 have vested immediately. Options granted subsequent to October 31, 2006 generally vest over a period of three years. The option period for options granted as compensation to directors, officers, employees or consultants shall be a period of time fixed by the Board of Directors not to exceed five years. The option period for options granted in exchange for services is specified by the Board of Directors at the time of grant and ranged from three to ten years for options granted prior to April 30, 2006. There have not been any options granted in exchange for services after April 30, 2006. If an option has lapsed, the Board of Directors may grant new options covering the shares not purchased. If a participant is dismissed as an officer, employee or consultant by the Company or by one of its subsidiaries

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for cause, all unexercised options rights of that participant under the Plan shall terminate immediately upon such dismissal. If a participant ceases to be an officer, employee or consultant of the Company or one of its subsidiaries as a result for reasons other than for cause (as set forth in the Plan) such participant shall have the right for a period not exceeding one year from the date of ceasing to be an officer, employee, consultant or director to exercise the option under the Plan with respect to all optioned shares of such participant to the extent they were exercisable on the date of ceasing to be an officer, employee, consultant or director.

	Nine months ended July 31, 2009		Year ended October 31, 2008	
	Number of shares	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$
Outstanding, beginning of period	2,060,000	0.5383	1,540,000	0.4513
Granted	300,000	0.3000	600,000	0.7650
Exercised	—	—	—	—
Cancelled	(100,000)	0.5900	(80,000)	0.5500
Outstanding, end of period	2,260,000	0.5066	2,060,000	0.5383
Options exercisable at end of period	1,960,000	0.4904	1,275,000	0.4451

The following table summarizes information about share options outstanding at July 31, 2009:

Exercise price \$	Year of grant	Number outstanding	Weighted average remaining contractual life [years]	Weighted average exercise price \$
0.45	2005	400,000	.7	0.450
0.40	2006	500,000	.7	0.400
0.50	2006	100,000	2.1	0.500
0.50	2007	410,000	2.7	0.500
0.75-0.78	2008	550,000	3.9	0.764
0.30	2008	300,000	4.6	0.300
		2,260,000	2.4	0.5066

The weighted average fair value of share options is determined at the date of grant using the Black-Scholes option pricing model. For the quarter ended July 31, 2009, \$39,762 [2008 - \$46,292] has been recorded as compensation expense with an equal amount reflected in contributed surplus.

**Options grant**

The following assumptions were used to calculate the estimated fair value of options granted during the nine months ended July 31, 2009:

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Exercise price	\$0.30
Expected dividend yield	0.00%
Risk-free interest rate	2.44%
Expected volatility	72.4%
Average expected life	5.0 years

**Warrants**

At July 31, 2009, the Company had 2,438,026 (October 31, 2008 – 3,946,776) common share purchase warrants outstanding, as follows:

Exercise price \$	Expiry date	Number outstanding and exercisable
0.65 US	December 31, 2009	98,500
0.80	September 13, 2009	246,134
0.45	October 7, 2010	2,961
0.75	October 7, 2010	1,824,431
0.39	July 1, 2011	200,000
		<b>2,372,026</b>

On December 28, 2008 1,708,750 warrants expired, resulting in a reclassification of \$192,192 from warrants issued on units to contributed surplus.

On May 15, 2009, 66,000 warrants expired.

On July 1, 2009, the Company issued 200,000 warrants in connection with the conversion of a trade account payable into th a note payable (note 3.). These are classified as warrants on issue of notes payable on the balance sheet.

**Warrants on issue of units**

The following table sets out the change in warrants on issue of units:

	Nine months ended July 31, 2009 \$	Year ended October 31, 2008 \$
Balance, beginning of period	<b>528,743</b>	256,634
Warrants issued on private placement units, net of issuance costs of \$8,640	—	275,949
Transfer to share capital on exercise of warrants	—	(3,840)
Warrants expired on IPO units	(192,192)	—
<b>Balance, end of period</b>	<b>336,551</b>	528,743

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**NOTES TO FINANCIAL STATEMENTS**Interim Financial Statements as at July 31, 2009

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**Contributed surplus**

The following table sets out the change in contributed surplus:

	Nine months ended July 31, 2009 \$	Year ended October 31, 2008 \$
Balance, beginning of period	633,661	538,248
Stock-based compensation	39,762	95,413
Transfer on expiry of warrants on issue of units	192,192	—
<b>Balance, end of period</b>	<b>981,398</b>	633,661

**9. GOVERNMENT ASSISTANCE****SDTC funding**

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 July 31, 2009, the Company had earned \$257,958 of the project funding. The balance of \$41,574 has been recorded as deferred government assistance at July 31, 2009. The completion of the project is scheduled for October 31, 2009. During the three months ended July 31, 2009, \$0 [2008 - \$0] 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 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.

At July 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.

**AVAC funding**

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.

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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 nine months ended July 31, 2009, the Company has received \$964,000 under this program, of which \$924,417 appears as a reduction to research and development expenses and \$39,583 appears as a reduction to sales and marketing expenses.

**10. RESEARCH AND DEVELOPMENT COSTS**

Research and development costs and reductions due to government assistance are summarized as follows:

	Nine months ended July 31, 2009 \$	Nine months ended July 31, 2008 \$
<b>Research and development expenditures</b>	<b>944,746</b>	433,562
Less government assistance		
SDTC	(87,225)	(11,790)
AVAC	(924,417)	—
	<b>(66,896)</b>	421,772

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**11. RELATED PARTY TRANSACTIONS**

Officers, Directors and shareholders have provided promissory notes [note 4] as well as services to the Company through rental agreements. The related party transactions occurred during the normal course of the Company's operations and are measured at their exchange amounts, which is the consideration established and agreed upon with the related parties.

- (a) The Company leased facilities from an officer who is also a shareholder. Total rental payments for three and nine months ended July 31, 2009 were nil and \$1,500 respectively [2008 - \$500 and \$3,000 respectively].
- (b) The Company incurred interest on promissory notes in the amount of \$55 and \$162 during the three and nine month periods ended July 31, 2009 respectively to Directors of the Company [2008 - \$3,023 & \$6,967 respectively].

**12. RECLASSIFICATION OF COMPARATIVE FIGURES**

Certain comparative amounts have been reclassified to conform to the presentation adopted in the current period.

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**NOTES TO FINANCIAL STATEMENTS**

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**13. SUBSEQUENT EVENTS**

On August 10, 2009, the Company announced that it has closed the first tranche of its non-brokered private placement for gross cash proceeds of \$176,240. The closing was comprised of 538,032 "Units" at \$0.45 per Unit, which included conversion of an option for the issuance of 146,389 Units (note 5). The Units are comprised of one Class A common share and a half of a Class A common share purchase warrant (the "Warrants"). Each whole Warrant entitles the holder to purchase one Class A common share of the Company at a price of \$0.75 per share for a period of two years, expiring August 10, 2011.

The Warrants are subject to an acceleration right, such that if the closing price of the common shares is greater than \$1.05 on any day subsequent to August 10, 2009, Synodon may give notice to the holders of the Warrants that the expiry date for exercise has been accelerated and the Warrants will expire on the thirtieth business day following the date of such notice.

The common shares and warrants issued pursuant to the private placement are subject to a four month statutory hold period which expires on December 11, 2009. The Company paid cash finder's fees totaling \$17,120 in connection with the sale of the Units.

A portion of the proceeds \$80,812.50 (US \$75,000) was used to pay down the note payable to the key long term supplier (note 3.)

On August 30, 2009, the deposit of distribution option expired and was extended until March 31, 2010 with the same terms as the original option (note 6.).

On September 13, 2009, 246,134 warrants expired and will result in a reclassification of \$46,952 from warrants issued on units to contributed surplus.