



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
OPERATIONS AND FINANCIAL CONDITION**

FOR THE QUARTER ENDED JULY 31, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") was prepared as of September 24, 2009 and should be read in conjunction with Synodon Inc.'s ("Synodon" or the "Company") interim financial statements for the three month and nine month periods ended July 31, 2009. In addition, this MD&A should be read in conjunction with the Company's 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", beginning on page 19 of this MD&A. It is also qualified by the section "Risks Relating to the Business", beginning on page 13 of this MD&A.

Synodon 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 \$9.0 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”, beginning on page 19 of this MD&A. It is also qualified by the section “Risks Relating to the Business”, beginning on page 13 of this MD&A.

realSens™ Instrument Importation into Canada

The realSens™ technology has been manufactured in the USA with primarily US parts and components which required Synodon to follow a one-time export licensing procedure. This step was completed on June 20, 2009 when the technology and all of the accompanying paperwork was received at Synodon's laboratory facility in Edmonton.

Natural Resources Canada Arctic Flights Completed

As was announced in a press release on June 24, 2009, Synodon received the go-ahead from Natural Resources Canada to proceed with the flight portion of the joint Arctic methane seeps project. A field campaign was organized and deployed to Inuvik, the home base for the flights, during the second week of August 2009. The campaign involved the surveying of an area roughly 25 square kilometres right at the mouth of the Mackenzie Delta on the Beaufort Sea. The preliminary results demonstrated the realSens™ technology's ability to detect and measure known seeps ranging from 0.2 to 0.6 m³/min (425 to 1270 ft³/hr) of methane gas flow. The large amount of data collected during the survey will be analyzed for further unknown methane seeps, the results of which could be published in a paper together with Natural Resources Canada.

Next Steps

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 19 of this MD&A. It is also qualified by the section “Risks Relating to the Business”, beginning on page 13 of this MD&A.

Summary of Quarterly Results

Quarterly Statement of Loss	Three Months Ended							
	31/07/2009	30/04/2009	31/01/2009	31/10/2008	31/07/2008	30/04/2008	31/01/2008	31/10/2007
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Net (loss) /income for the period	\$56,835	(\$209,396)	(\$516,013)	(\$447,315)	(\$391,617)	(\$367,743)	(\$360,068)	(\$368,334)
Loss per share (basic and diluted) (1)	\$0.00	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.02)	(\$0.02)	(\$0.02)	(\$0.02)
Weighted-average shares outstanding	22,697,143	22,697,143	22,697,143	21,348,651	20,872,712	20,830,689	20,733,597	20,315,502

(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

Balance Sheets	July 31, 2009	October 31, 2008
	(\$)	(\$)
Total assets	290,068	270,444
Total liabilities	2,074,714	1,582,719
Share capital	4,845,322	4,845,322
Warrants on issue of notes payable	40,659	—
Warrants on issue of units	336,551	528,743
Contributed surplus	981,398	633,661
Deficit, at end of period	(7,988,576)	(7,320,001)

Statements of Loss and Deficit, Three-Month Periods Ended	July 31, 2009	July 31, 2008
	(\$)	(\$)
Total revenue	—	—
Research and development costs, net of government assistance	197,662	(107,239)
Stock-based compensation expenses	(39,762)	(46,292)
Office and general administrative expenses	(164,199)	(180,259)
Sales and marketing expenses	27,200	(29,511)
Other revenue and expenses	35,934	(28,316)
Net (loss) income for the quarter	56,835	(391,617)
Income (loss) per share (basic and diluted)	—	(0.02)
Deficit, at end of period	(7,988,576)	(6,872,686)

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

Results of Operations

An operating profit of \$56,835 or nil per share was incurred for the period ended July 31, 2009, which compares to an operating loss of \$391,617 or \$0.02 per share for the period ended July 31, 2008. The operating profit is attributable to decreases in research and development expenses (the majority of which was the earning of milestone based government assistance), general administrative expenses, sales and marketing, stock based compensation and foreign exchange losses which are offset by an increase in financing charges and interest.

Research and Development Expenses

During the three month period ended July 31, 2009, gross research and development costs incurred were \$175,755 compared to \$107,239 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, represented a recovery of \$(197,662) in the three month period ended July 31, 2009 and an expense of \$107,239 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	July 31, 2009		July 31, 2008	
	(\$)		(\$)	
Wages and benefits	79,866	(40%)	76,653	71%
Subcontractors and materials	95,889	(49%)	30,586	29%
Gross research and development costs	175,755	(89%)	107,239	100%
Less				
SDTC funding	-	0%	-	0%
IERD funding	-	0%	-	0%
AVAC funding	(373,417)	189%	-	0%
Research and development costs, net	(197,662)	100%	107,239	100%

The subcontractor and material costs increased significantly due to the costs associated with the purchase and integration of the thermal camera and new housing for the realSens™ 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 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. The completion of the project is scheduled for September 30, 2009. During the period ended July 31, 2009, nil [July 31, 2008 - nil] 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 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.

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 a period of approximately 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 Three months ended July 31, 2009, the Company received \$413,000 under this program. The whole amount has been earned and \$373,417 appears as a reduction to research and development expenses and the remaining \$39,583 appears as a reduction of sales and marketing expenses as Milestone #3 including re-imburement for go-to-market expenses.

Stock-Based Compensation Expenses

Stock-based compensation has decreased to \$39,762 in the three month period ended July 31, 2009 from an expense of \$46,236 in the corresponding period in 2008. The decrease is due to fewer options being expensed in 2009.

Office and General Administrative Expenses

Office and administrative expenses decreased to \$164,199 in the three month period ended July 31, 2009 versus \$180,259 in the corresponding period in 2008 as a result of the decrease in travel and wages

expenses offset by increases in legal and other expenses. The table below outlines the key components that comprise office and administrative expenses.

For the three month period ended	July 31, 2009		July 31, 2008	
	(\$)		(\$)	
Legal and professional fees	40,957	25%	35,206	20%
Consulting	656	0%	(665)	0%
Travel	7,289	4%	19,404	11%
Wages	70,781	43%	80,222	45%
Rent and utilities	20,935	13%	21,782	12%
Other	23,581	15%	24,310	13%
Total	164,199	100%	180,259	100%

Legal expenses have increased as a result of work done to issue a promissory note to a supplier to settle a current trade payable. The travel expenses have decreased as no trips to Europe and fewer trips to the U.S. were taken this year. Wages have decreased as there is one less employee in the three month period ended July 31, 2009.

Sales and Marketing Expenses

Sales and marketing expenses were a recovery of \$27,200 for the quarter ended July 31, 2009 compared to an expense of \$29,511 in the same corresponding period last year. The decrease in expenses is due to the fact that AVAC, through its capacity builder program reimbursed go to market expenses that have been expensed in an earlier period. Sales and marketing costs will continue to become more significant as the company moves into its operational phase.

Other Expenses

Foreign exchange movements during the quarter resulted in a gain of \$91,153 in the three month period ended July 31, 2009 versus a loss of \$4,430 in the same corresponding period last year. The gain was as a result of a 12.4% increase in the Canadian dollar relative to the U.S. dollar and a decrease of U.S. denominated payables (U.S. \$343,803).

The financing charges and interest expense increased to \$53,934 in the three month period ended July 31, 2009 versus an expense of \$28,830 for the corresponding period last year. The increase is due to the fact that more suppliers are charging interest on outstanding balances along with the interest and accretion of the note payable (\$12,269) to a long term supplier done to refinance their trade payable.

Comparison of Nine Month Periods Ended July 31, 2009 and July 31, 2008

Statements of Loss and Deficit, Nine-Month Periods Ended	July 31, 2009 (\$)	July 31, 2008 (\$)
Total revenue	—	—
Research and development costs, net of government assistance	66,896	(421,772)
Stock-based compensation expenses	(155,546)	(103,843)
Office and general administrative expenses	(508,574)	(454,853)
Sales and marketing expenses	(22,547)	(34,760)
Other revenue and expenses	(48,804)	(104,200)
Net loss for the period	(668,575)	(1,119,428)
Loss per share (basic and diluted)	(0.03)	(0.05)
Deficit, at end of period	(7,988,576)	(6,872,686)

Results of Operations

An operating loss of \$668,575 or \$0.03 per share was incurred for the period ended July 31, 2009, which compares to an operating loss of \$1,119,428 or \$0.05 per share for the period ended July 31, 2008. The operating loss decrease is attributable to a decrease in research and development expenses, sales and marketing expenses and foreign exchange losses which are offset by a increases in stock based compensation, financing charges and interest and general administrative expenses.

Research and Development Expenses

During the nine month period ended July 31, 2009, gross research and development costs incurred were \$944,746 compared to \$433,562 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 \$(66,896) in the nine month period ended July 31, 2009 and \$421,772 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 nine month periods ended	July 31, 2009 (\$)		July 31, 2008 (\$)	
Wages and benefits	208,237	(311%)	282,848	67%
Subcontractors and materials	736,509	(1101%)	150,714	36%
Gross research and development costs	944,746	(1412%)	433,562	103%
Less				
SDTC funding	(87,225)	130%	(11,790)	(3%)
IERD funding		0%	-	0%
AVAC funding	(924,417)	1382%	0	0%
Research and development costs, net	(66,896)	100%	421,772	100%

The subcontractors and materials costs increased significantly due to the costs associated with the purchase and integration of the commercial detectors, thermal camera, new housing and global positioning system (GPS) 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 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. The completion of the project is scheduled for September 30, 2009. During the period ended July 31, 2009, \$87,225 [July 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 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.

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 July 31, 2009, the Company received \$964,000 under this program. The whole amount has been earned and 924,417 appears as a reduction to research and development expenses as the completion of Milestone #1 & #2, as well as the majority of Milestone #3 were technical based. The amount of \$39,583 appears as a reduction to sales and marketing expenses as reimbursement for some go to market expenditures were also included.

Stock-Based Compensation Expenses

Stock-based compensation has increased to \$155,545, in the nine month period ended July 31, 2009 from an expense of \$103,843 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 \$508,574 in the nine month period ended July 31, 2009 versus \$454,853 in the corresponding period in 2008 as a result of decrease in consulting and travel expenses offset by increases in wages, and other expenses. The table below outlines the key components that comprise office and administrative expenses.

For the nine month periods ended	July 31, 2009		July 31, 2008	
	(\$)		(\$)	
Legal and professional fees	119,877	24%	118,459	26%
Consulting	2,206	0%	20,302	4%
Travel	39,520	8%	49,749	11%
Wages	219,913	43%	139,319	31%
Rent and utilities	65,042	13%	67,239	15%
Other	62,016	12%	59,785	13%
Total	508,574	100%	454,853	100%

Consulting fees were down, while wage expense increased in the nine month period ended July 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 July 31, 2008 were no longer incurred. The travel expenses have decreased as no Europe travel and less trips to the U.S. were taken this year. Other expenses have increased as a lab has been set up at the Company's premises to accommodate the realSensTM instrument move from the manufacturer to the Company.

Sales and Marketing Expenses

Sales and marketing expenses were \$22,547 for the nine month period ended July 31, 2009 compared to \$34,760 in the corresponding period last year. The decrease in expenses is due to the fact that the commercialization process was initiated and so more customer acquisition related expenses have been incurred in 2009. The costs included a market study. An investor relations company has also been engaged by the Company. The increases were offset by a payment made by AVAC as part of their investment in the Company for "go to market" expenses. Sales and marketing costs will continue to become more significant as the company moves into its operational phase.

Other Expenses

The financing charges and interest expense increased to \$101,282 in the nine month period ended July 31, 2009 versus \$68,054 in the corresponding period last year. This increase is as a result of an increase in trade accounts payable balances that incur financing and interest costs.

Foreign exchange expense movements during the quarter resulted in a gain of \$57,674 in the nine month period ended July 31, 2009 versus a loss of \$40,421 in the same corresponding period last year. The decrease in expense is as a result of a 12.25% increase in the Canadian dollar relative to the U.S. dollar offset by an increase of U.S. denominated payables (\$U.S.230,290).

Comparison of Balance Sheets Dated July 31, 2009 and October 31, 2008*Total Assets*

The increase in total assets as of July 31, 2009 of \$19,624 (\$290,068 vs. \$270,444 – as at October 31, 2008) was primarily due to deposits on share subscriptions that were received and subsequent to the quarter, became proceeds from the first tranche of the private placement closing and were used in operations in the fourth quarter (see Subsequent Events section).

Total Liabilities

The increase of \$491,995 in liabilities from \$1,582,719 at October 31, 2008 to \$2,074,714 at July 31, 2009 is approximately comprised of the increase in employee wages and expenses - \$128,500, current trade payables - \$20,000, a set up of a note payable \$190,000, deposits on share subscriptions of \$166,000 and a deposit of distribution option given to a Latin American firm - \$90,000, offset by the earning of \$50,000 of the government assistance received and a capital lease obligation retirement of \$40,000.

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 July 31, 2009, the Company has an accumulated deficit of \$7,988,576. 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 provided(used) in operations, being net loss adjusted for non-cash operating items, was \$105,900 for the quarter ended July 31, 2009 compared to \$(343,951) 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 quarter. 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 for the three months ended July 31 is as follows:

	July 31, 2009	July 31, 2008
	\$	\$
Cash provided by (used in) operating activities	<u>24,624</u>	<u>(254,803)</u>
Add (deduct) changes in non-cash operating working capital	<u>81,276</u>	<u>(89,148)</u>
Funds provided by (used in) operations	105,900	(343,951)

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 July 31, 2009, the Company received \$413,000 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 #2 was technical based.

On April 20, 2009, the Company announced a non-brokered private placement whereby the Corporation intends to issue up to 4,444,445 units at a price of \$0.45 per unit (the "Units") for gross proceeds of \$2,000,000.

The Units will be comprised of one Class A common share and one half of a Class A common share purchase warrant (the "Warrants"). Each Warrant will entitle the holder to purchase one additional Class A common share of the Corporation at a price of \$0.75 per share for a period of two years from the date of issue. The Warrants will have an accelerated exercise provision under which, if the volume weighted average closing price of the Shares, as traded on the Stock Exchange, equals or exceeds \$1.05 per Share, then the warrants must be exercised or will expire 30 calendar days after notice of such event is mailed to the warrant-holders.

The Corporation will pay, where appropriate, a cash finder's fee of 10%, or a cash finder's fee of 8% in connection with the sale of the Units and issue finder's warrants of up to 8% of the total number of Units issued, under this offering. Each finder's fee warrant will entitle the holder to subscribe for one Class A Common share of the Corporation at a price of \$0.45 for a period of two years from the date of issue.

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 exercise provision under which if the volume weighted average closing price of the shares as traded on the TSX Venture Exchange, equals or exceeds \$1.05 per share, then the Warrants must be exercised or will expire 30 calendar days after notice of such event is mailed to the warrant holders.

The Class A 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.

The Corporation expects to close a second tranche in October 2009.

Related Party Transactions

During the quarter ended July 31, 2009, interest of \$55 (2008 - \$3,023) 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 July 31, 2009 were \$0 and for the corresponding period ended July 31, 2008 were \$500.

Outstanding Share Data

As at September 24, 2009, there were 23,235,175 common shares issued and outstanding, as well as 2,260,000 options and 2,272,281 warrants to purchase common shares.

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. 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 exercise provision under which if the volume weighted average closing price of the shares as traded on the TSX Venture Exchange, equals or exceeds \$1.05 per share, then the Warrants must be exercised or will expire 30 calendar days after notice of such event is mailed to the warrant holders.

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.

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.

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.

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 realSensTM 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 including expected volatility, life of the option and number of options that will ultimately vest. 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 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 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 Company's 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 13 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.