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## **Management Discussion and Analysis for the Period Ended December 31, 2007**

The following discussion and analysis of the operations, results, and financial position of the company for the period ended December 31, 2007 should be read in conjunction with the December 31, 2007 unaudited financial statements and the related notes. The effective date of this report is January 29, 2008. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional regulatory filings for the company can be found on the Sedar website at [www.sedar.com](http://www.sedar.com). The company's website can be found at [www.pyng.com](http://www.pyng.com).

### **Forward-Looking Statements**

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

## Business Description

Pyng Medical Corp. (“Pyng”) maintains an office at Unit 7, 13511 Crestwood Place, Richmond, BC V6V 2E9. The Company’s registered and records office is located at 15<sup>th</sup> Floor, 1055 West Georgia Street, Vancouver, B.C. V6E 4N7

Pyng is a reporting issuer in British Columbia and Alberta. Its common shares trade on the TSX Venture Exchange under the symbol PYT.

Pyng has researched, developed and commercialized a proprietary intraosseous infusion system, the Pyng **FAST1™** Intraosseous Infusion System, which has been granted numerous patents in the United States, Mexico, Canada and Europe.

Pyng Medical Corp. holds U.S. FDA and Canadian Health Protection Branch approval and CE Marking from the European Ministry of Health and Regulatory Affairs to market the **FAST1™** Intraosseous Infusion (IO) System in North America and Europe. The **FAST1™** Intraosseous Infusion System allows pre-hospital and hospital emergency care to quickly establish intravenous access when normal peripheral interventions fail. The **FAST1™** Intraosseous Infusion System enables rapid administration of drugs and fluids to patients that require critical emergency treatment resulting in saving of lives. The **FAST1™** was developed by Pyng and is the first FDA-approved intraosseous infusion system designed specifically for use in the sternum in adult emergency intervention. **FAST1™** is the world’s leading sternal IO system.

The **FAST1™** Intraosseous Infusion System is designed for use by military medics, civilian paramedics, physicians, physician assistants, and nurses. It is used curbside at the scene of medical emergencies, in ambulances, on board emergency medical aircrafts, in hospital emergency departments, or on hospital “CRASH” carts.

Key performance specifications of the **FAST1™** Intraosseous Infusion System:

1. Delivers drugs to the heart 2 – 3 times faster than tibial IO.
2. Fastest route to the heart of any vascular access device, including IV.
3. Precise placement, every time.
4. Automatic depth control, for safety of delivery above the lungs and heart.
5. Simplicity of use.
6. Sterile, single-use product, completely disposable, with no risk of cross-contamination.
7. Soft, low-profile flexible and secure tubing.
8. Sleek, lightweight design allows portability in medic’s packs.

## First Quarter Fiscal 2008 Summary of Activities and Business Results

- Established European Region Manager for distributor support and development.
- Launched improved **FAST1™** Intraosseous Infusion System at SOMA.
- Fifth consecutive quarter of profitability.
- Achieved record first quarter sales of \$1.3 million; 36% growth over prior year.
- Demonstrated next generation “looks-like, works-like” prototype at SOMA (Special Operations Medical Association) annual meeting in Tampa

### Results of Operations

The Company sales for the fiscal 2008 first quarter ended December 31, 2007 was \$1,311,207 (December 31, 2006: \$967,456); resulting in a 36% increase in sales over the same period in fiscal 2007. Our flagship product the **FAST1™** Adult Intraosseous Infusion System is the largest selling Sternal IO System with over 122,000 units shipped to-date.

Cost of sales for the first quarter of fiscal 2008 was \$404,691 (2007: \$322,109) providing a gross margin of \$906,517 or 69% (2007: \$672,577 or 70%).

Total operating expenses (excluding cost of sales, amortization and stock based compensation) of \$725,506 for the quarter ended December 31, 2007 have increased compared to \$409,600 for the same quarter in fiscal 2007. On a percentage basis, operating expenses was 55% of sales for the quarter ended December 31, 2007 compared to 42% for the quarter ended December 31, 2006. The increase was largely due to expenditures associated with strategic initiatives for geographical expansion and market penetration. The exchange rate loss from USD to CDN also attributed to the increase in operating expenses for the first quarter in fiscal 2008; compared to the same quarter in 2007.

Net income after tax for the quarter ended December 31, 2007 was \$57,119 (December 31, 2006: \$149,834) resulting in cash inflows of \$10,207 (December 31, 2006: \$24,929).

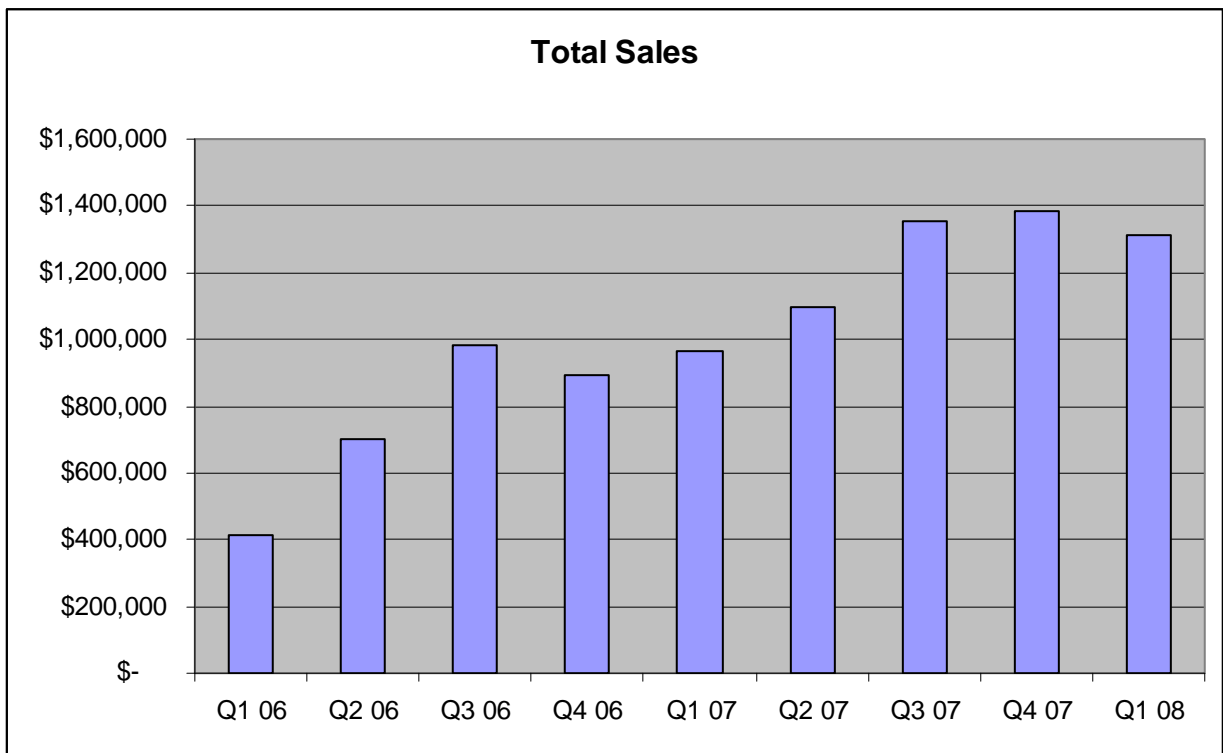
The Company sells its products in the U.S., Europe and Australia through distributors. The company's principal North American distributor is responsible for the majority of **FAST1™** sales throughout the United States. This well-established national distributor is the largest EMS distributor in the US, serving all states and the Department of Defense. Although this could be construed as a business risk, all the Company's accounts receivable are in fact insured and as a result the company has little financial

exposure. Should this distributor encounter financial problems, its clients would move their purchases to one of our other distributors, resulting in minimal impact on Pyng.

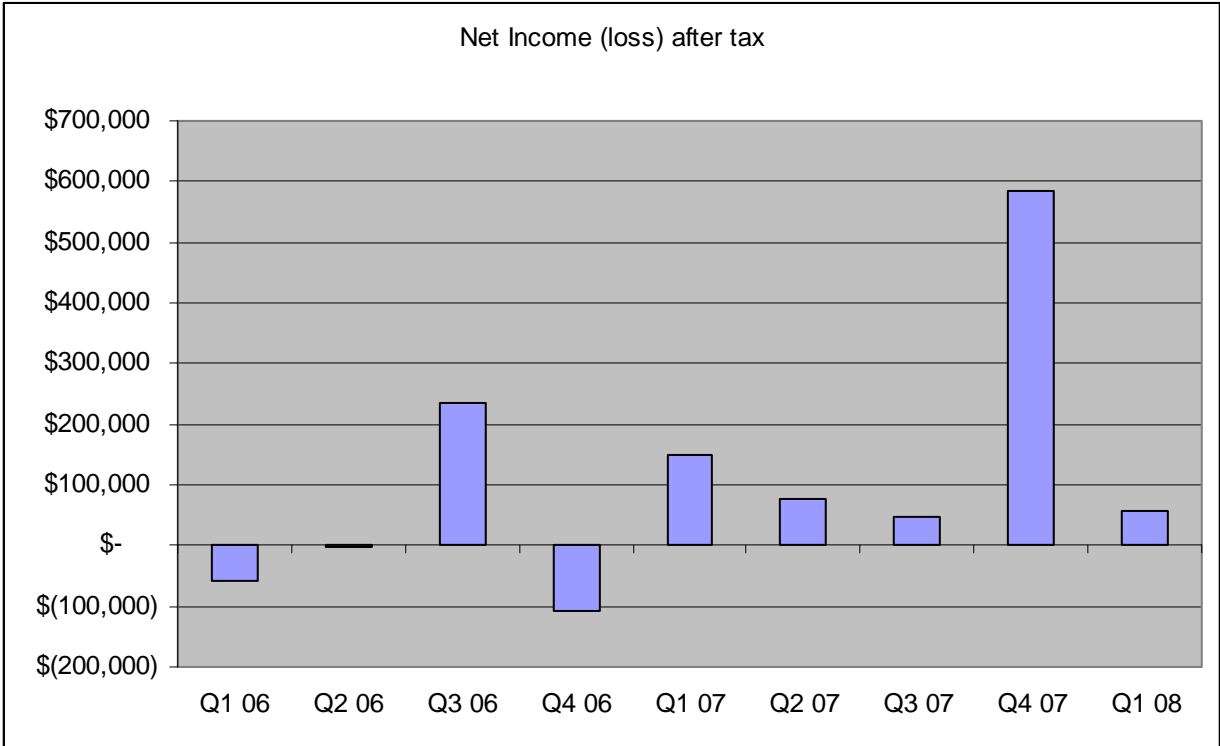
### SUMMARY OF QUARTERLY RESULTS

The following tables and charts set out selected quarterly information for the last nine quarters.

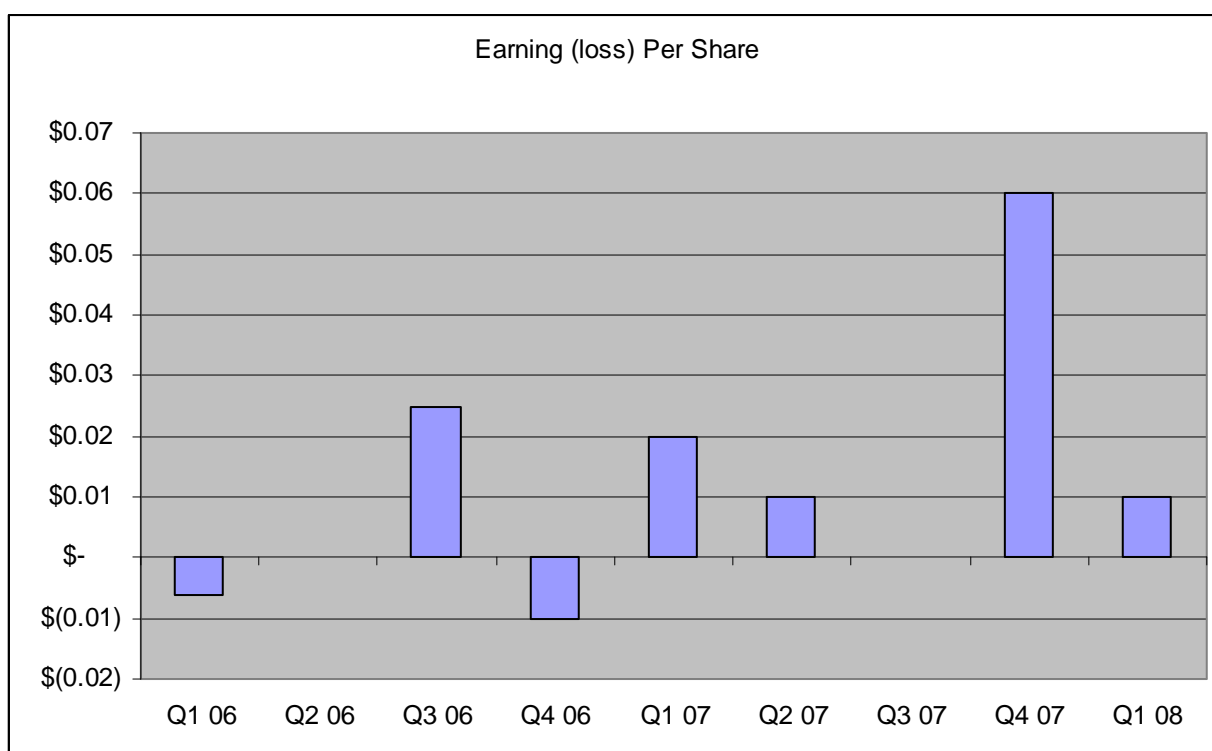
<b>Total Sales or Revenue</b>				
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>2006</b>	\$ 416,191	\$ 703,336	\$ 985,210	\$ 893,406
<b>2007</b>	\$ 967,456	\$ 1,097,469	\$ 1,356,251	\$ 1,386,529
<b>2008</b>	\$ 1,311,207			



NET INCOME (LOSS) AFTER TAX				
	Q1	Q2	Q3	Q4
2006	\$ (57,190)	\$ (1,661)	\$ 235,966	\$ (108,317)
2007	\$ 149,834	\$ 77,429	\$ 47,685	\$ 583,840
2008	\$ 57,119			



Basic and Diluted Earnings (loss) Per Share								
	Q1		Q2		Q3		Q4	
<b>2006</b>	\$	(0.01)	\$	0.00	\$	0.03	\$	(0.01)
<b>2007</b>	\$	0.02	\$	0.01	\$	0.00	\$	0.06
<b>2008</b>	\$	0.01						



### Liquidity and Solvency

At December 31, 2007, the Company had a working capital of \$1,666,326 (December 31, 2006: \$1,093,195). This was primarily due to increase in Cash and Accounts Receivable.

The Company is exposed to liquidity risk as its continued operations are dependent upon the Company realizing its account receivable to satisfy its liabilities as they become due.

To manage the company's liquidity risk, customer credit evaluations are based on information obtained from trade references, bank reports, and periodic review of customers' payment patterns to ensure irregularities are addressed promptly. The company also acquires accounts receivable insurance coverage to mitigate collection risks.

## **Related Party Transactions**

- (a) Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### **Payment to directors**

During the period ended December 31, 2007, consulting fees of \$22,453 (December 31, 2006: \$44,523), directors fees of \$5,998 (December 31, 2006: \$3,750), and commission of \$Nil (December 31, 2006: \$25,153) were paid or accrued to the directors of the Company.

As at December 31, 2007, \$5,663 (December 31, 2006: \$48,368) was owing to directors for consulting fees and expense reimbursements. The amount is included in accounts payable.

- (b) Contractual Commitments with Directors

The Company has a consulting contract with a director to pay \$55,000 per year in consulting fees. The contract expires on February 28, 2008

## **Off Sheet Balance Sheet Arrangements**

The Company has not entered into any off-balance sheet arrangements.

## **Critical Accounting Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the period in which they become known.

In the light of these requirements, management reviewed in 2007 the basis used for the amortization of Deferred Product Development Costs. Management concluded that, based on current sales volume projections, the unamortized deferred product development costs at the beginning of 2008 should be amortized on a per unit basis based on the sales volume projection for the next seven years.

## Stock-based compensation

As of October 1<sup>st</sup>, 2003, the Company adopted the CICA Handbook Section 3870, the standard for stock-based compensation and other stock-based payments which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services provided by employees and non-employees. The standard requires that a fair-value-based method of accounting be applied to all stock-based payments to non-employees and to employee awards that are direct awards of stock that call for settlement in cash and other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. The new standard permitted the Company to continue its existing policy of recording no compensation cost on the grant of stock options to employees but to disclose on a pro forma basis net earnings and earnings per share had the Company adopted the fair value method for accounting for options granted to employees. No restatement of prior periods was required as a result of the adoption of the new standard.

The company has prospectively applied the fair value based method to all stock options granted on or after October 1, 2003.

## Outstanding Share Data

The Company has one class of common shares. As at December 31, 2007 there were 13,721,583 common shares issued and outstanding. As at January 29, 2008, the effective date of this report, there are 13,721,583 common shares issued and outstanding.

A summary of stock option activities for the years presented is as follows:

	<u>December 31, 2007</u>		<u>September 30, 2007</u>	
	<u>NUMBER</u>	<u>WEIGHTED AVERAGE EXERCISE PRICE</u>	<u>NUMBER</u>	<u>WEIGHTED AVERAGE EXERCISE PRICE</u>
Outstanding, beginning of year	<b>1,020,000</b>	<b>\$ 0.47</b>	900,000	\$ 0.53
Granted	<b>15,000</b>	<b>0.48</b>	520,000	0.41
Exercised	<b>(10,000)</b>	<b>0.36</b>	(40,000)	0.45
Expired	<b>(150,000)</b>	<b>0.75</b>	(60,000)	0.75
Forfeited	<b>(20,000)</b>	<b>0.36</b>	<u>(300,000)</u>	0.51
Outstanding, end of period	<b><u>855,000</u></b>	<b>\$ 0.39</b>	<b><u>1,020,000</u></b>	<b>\$ 0.47</b>

As at December 31, 2007, the following stock options were outstanding:

OPTIONS OUTSTANDING			OPTIONS EXERCISABLE
NUMBER OF SHARES	EXERCISE PRICE	EXPIRY DATE	NUMBER OF SHARES
310,000	\$ 0.45	May 23, 2008	310,000
20,000	\$ 0.43	July 16, 2008	13,333
20,000	\$ 0.42	August 14, 2008	13,333
10,000	\$ 0.34	August 21, 2008	6,667
300,000	\$ 0.40	November 19, 2008	200,000
60,000	\$ 0.35	December 12, 2008	40,000
20,000	\$ 0.46	May 6, 2009	6,667
50,000	\$ 0.50	September 11, 2009	-
50,000	\$ 0.49	September 20, 2009	-
15,000	\$ 0.48	October 14, 2009	-
<u>855,000</u>			<u>280,310</u>

### **Economic Dependence**

The Company presently derives a substantial amount of its revenue from one distributor which contributed approximately 82% (December 31, 2006: 72%) of revenue for the period ended December 31, 2007. The sales are made to a distributor under a distributorship agreement. The non-renewal or cancellation of the contract could have a material adverse short term impact on the Company.

Amounts owing from one distributor comprised 84% (December 31, 2006: 76%) of the accounts receivable balance at December 31, 2007.

### **Disclosure and Internal Financial Reporting Control and Procedures**

The Company has evaluated its disclosure and internal financial reporting controls and procedures as of December 31, 2007 and concluded that the Company's disclosure and internal financial reporting controls and procedures, as at December 31, 2007, are effective in ensuring that material information is disclosed adequately and timely. The Company's disclosure and internal financial reporting controls and procedures can only provide reasonable assurance and not absolute assurance and the Company will re-evaluate its system and make necessary improvements from time to time.