PYNG MEDICAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended September 30, 2011 and 2010

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the significant factors that have affected the Company and its subsidiary's performance and such factors that may affect its future performance. The following discussion and analysis of the operations, results, and financial position of the Company should be read in conjunction with the audited financial statements for the year ended September 30, 2011 and the related notes therein. The effective date of this report is January 10, 2012. All financial information, unless otherwise indicated, is expressed in Canadian dollars. Additional regulatory filings for the Company are available on SEDAR and can be accessed at www.sedar.com or on the company's website at www.pyng.com.

Management is responsible for establishing appropriate information systems, procedures and controls to ensure that all financial information disclosed externally, including this MD&A, and used internally by management, is complete and reliable. These procedures include the review and approval of the financial statements and associated information first by the Audit Committee and subsequently by the Board.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements that reflect current view of the Company with respect to future events and financial performance and are subject to certain risks, uncertainties and assumptions. 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.

There are a number of risks and uncertainties that 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, including, but not limited to, change in general economic and political conditions, failure to achieve anticipated revenues and income growth, failure to raise additional working capital to fund future operations, regulation and competitor change, failure to develop new product and anticipate changes in technology and product requirements, potential for product liability, inadequate protection of intellectual property rights, uncertainty in the future financial conditions, the impact of currency exchange rates and interest rates and failure to obtain FDA clearance to sell the new products.

Given these risks and uncertainties, potential investors and readers are urged to consider these factors carefully in evaluating these forward-looking statements and 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. (the "Company" or "Pyng") is a public company incorporated under the British Columbia Business Corporation Act, that maintains an office at Unit 7, 13511 Crestwood Place, Richmond, BC V6V 2E9. The Company's registered and records office is located at 15th Floor, 1055 West Georgia Street, Vancouver, B.C., V6E 4N7. On June 9, 2008, the Company incorporated its wholly owned subsidiary, Pyng Medical USA Corp. in the state of Washington in the U.S.A. to enhance the distribution of its products.

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

Pyng is a global medical device company that discovers, develops, manufactures and markets a suite of innovative trauma and resuscitation products that can save lives in seconds. Each product in the portfolio meets the ease of clinician to use, safety, efficacy, and overall competitive value criteria essential for life saving trauma products.

The Company sells its products worldwide directly and through distribution partners to military, hospital, EMS, government agency, and law enforcement customers, primarily in the U.S.A., Europe and Australia. Pyng has expanded its distribution network in 2009 with the addition of a large Hospital focused specialty distributor. This hospital focus plus Pyng's well-established national pre-hospital distributor is the largest EMS distributor in the United States, serving all states and the Department of Defence.

PYNG PRODUCT PORTFOLIO

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 U.S.A., Mexico, Canada and Europe. The ***FAST1***® Intraosseous (IO) Infusion System that provides quick vascular access to enable the rapid administration of drugs, medications, fluids, and blood to patients that require emergency life-saving treatment. It is a rapid, reliable and safe alternative to conventional IV infusion providing lifesaving vascular access for fluid and drug resuscitation in cardiac, shock and trauma victims.

FASTx™ Sternal Intraosseous Device is the Company's next generation lead clinical product which is re-engineered from FAST1. This all-in-one FASTx™ is light, compact and requires no additional tools or pre-use incisions to provide fluids, medication, and blood quickly and easily. The built-in anatomical land marking allows placement even in challenging conditions. While automatic depth-control eliminates the guesswork around how deep to go providing for clear and confident vascular access, the new target foot, now integrated into the device, provided for stability and aids in proper alignment to deploy simply. The benefits that this new product provides allows for important new vascular access options for hospital systems, EMS services and Federal/Military customers. During fiscal 2010, the Company received regulatory clearance from Health Canada, CE Mark and US FDA to market its new and improved FASTx™ Sternal Intraosseous Device. In November 2010, the Company initiated a voluntary recall of the FASTx™ Sternal Intraosseous Device due to the feedback regarding inconsistent performance in several early training sessions. Since then, the Company started the FASTx re-launch project and it is expected to sell FASTx sometime in 2012 after getting FDA clearance to re-enter the market.

The ***T-POD®*** Pelvic Stabilizer device provides immediate treatment of simple and complex pelvic fractures by binding the pelvis to reduce pain, bleeding, or haemorrhage, morbidity, and mortality risks.

The ***MAT®*** Tourniquet is used "one handed" by the wounded patient or initial responder to quickly and effectively stop life threatening arterial bleeding of any extremity to reduce the risk of limb loss and mortality.

The ***CRIC™*** (Complete Rapid Illuminated Cricothyrotomy) is the latest innovative, life-saving medical product to allow for one-handed surgical airway intervention. CRIC™ is indicated for use in obtaining a surgical airway for patients where intubation is not an option and the product provides a rapid Cricothyroidotomy solution (including illumination) in a single compact device. Testing performed to date has indicated that CRIC™ delivers fast and effective airway access via this singular device as

opposed to current methods which require several kit components. The CRIC™ has received the CE mark in Europe via the European Medical Device Directive 93/42/EEC, and has also been cleared by Health Canada and the Australian Therapeutic Goods Administration. As a result, CRIC™ is currently for sale in Europe, Canada, Australia and other countries which accept these major regulatory agency approvals. This product has not yet received FDA clearance for sale in United States.

HIGHLIGHTS FOR THE YEAR ENDED SEPTEMBER 30, 2011

1. The Company reported total sales of $6,050,421 for fiscal 2011, down $1,038,416 or 15% from $7,088,837 for last year mainly due to the weak sales orders from the U.S military during the fourth quarter. Net loss of $194,184 was recorded compared to a net income of $283,415 for the comparative year. Cash balance as at September 30, 2011 decreased to $195,414, from $282,993 one year ago. The approximate mix of revenue between Trauma Care products (TPOD & MAT) and IO Infusion products (FAST1) was 14% and 86%, respectively (2010 – 12% and 88%). The flagship FAST1® Intraosseous Infusion System was still the largest selling Sternal IO System with 40,579 units shipped during this year.

2. On November 16, 2010, the Company initiated a voluntary recall of the FASTx™ Sternal Intraosseous Device due to feedback regarding inconsistent performance in several early training sessions that were conducted after shipment of devices to distributors. Since then, Pyng has discontinued shipment of future devices and has been working rapidly to analyze events and determine a course of action. On February 10, 2011, the Company announced that it has completed a root-cause analysis of FASTx® in follow-up to reported insertion failures in a handful of early military training environments. From this analysis, PYNG has validated that there are times where lateral motion can bend the insertion needle (stylet). The Company estimated the total cost of US$2,000,000 to complete this re-launch project. As at September 30, 2011, costs of US$1,318,456 had been incurred and the balance of US$681,544 is anticipated to be incurred in the first two quarters of fiscal 2012. As of September 30, 2011, a new FASTx design was finalized to address the issues seen in the recall and about 60% of the development process has been completed. The Company currently expects to sell FASTx sometime in 2012 after getting FDA clearance to re-enter the market. However, it might be delayed if the FDA approval is delayed or the re-launch project is in jeopardy due to its working capital position.

3. On December 30, 2010, the Company closed a non-brokered private placement and issued 3,000,000 common shares at $0.20 per share for gross proceeds of $600,000 to a single strategic investor MDR Specialty Distribution Corporation ("MDR"). Herb Toms, the Chairman of PYNG, is also the Co-founder and principal of MDR. There was no finder's fees payable in connection with the placement but $22,385 of legal cost and filing fee was paid as share issuance cost for the placement. The proceeds of the placement were used for general working capital and to pursue international sales opportunities.

4. During fiscal year 2011 the Company focused on international expansion and part of this strategy resulted in adding strategic partners to our distribution network. The following distributors were added:

Survival Technology	South Africa	FAST;MAT;TPOD;CRIC;SEATD
Winther Medical	Switzerland	FAST; TPOD; MAT
VECTOR Chile	Chile	FAST;MAT;TPOD;CRIC
Remeditec	Portugal	FAST;MAT;TPOD;CRIC
Allied Medical Instruments	Canada	FAST; MAT; TPOD; CRIC (Civilian)
Horacio Icaza Y Cia S.A.	Panama	FAST; MAT; TPOD; CRIC

Lewis Medical Supplies	UK	MAT; TPOD;CRIC (Civilian)
Deltamed	Romania	FAST;MAT;TPOD;CRIC
IES	Spain	FAST;MAT;TPOD;CRIC
Nicholas IO	Greece	FAST;MAT;TPOD;CRIC
Kir-Fix	Finland	FAST;MAT;TPOD;CRIC
AOSS	Belgium	FAST;MAT;TPOD;CRIC
Hamsat	Saudi Arabia	FAST;MAT;TPOD;CRIC
Sea Air Thia	Thailand	FAST;MAT;TPOD;CRIC
Medplan	Hungary	FAST;MAT;TPOD;CRIC
Medicamp	Pakistan	FAST;MAT;TPOD;CRIC

4. On June 9, 2011, it was announced that the Indian Military initiated a standardization process with Pyng's MAT® Tourniquet, due to its strong acceptance, and other PYNG products are being considered by India Defense Units to become a standard of care.

5. On June 10, 2011, the Company announced the release of a tourniquet marketed for the Emergency Medical Services (EMS) Market – E-MAT™. The E- MAT™ features a bright, EMS orange color, setting it apart from its surroundings and making it noticeable at an accident scene. With its new color, the E- MAT™ contains all the same award-winning features of the original MAT®. It is also lightweight and compact, making it an easy fit into any medical bag. By providing fast and easy application, even to trapped limbs, complete blood flow occlusion is achieved in 30 seconds.

6. During July and August 2011, the Company announced that after a careful review of the pelvic stabilization devices available in the market, T-POD had been picked as the device of choice by major UK and Romanian Ambulance Services.

STRATEGIC PRIORITIES FOR FISCAL 2012:

Increase the value of Pyng Medical as a company and to provide value to shareholders.
- Revenue growth via new products and enhanced distribution channels.
- Enhanced EBITDA via cost reduction and careful cost management of budgetary expenses

Reduce Risks to the Company
- Market Segment Diversification
- Against impactful regulatory action (quality system and documentation)

Better leverage core competencies of technology leadership and strong distribution channels.
- Increase marketing capabilities, via research and KOL partnerships for data collection and enhanced podium and publication presence.

Close financing to provide additional working capital for operations.

SELECTED ANNUAL INFORMATION

	2011	2010	2009
Total sales	$ 6,050,421	$ 7,088,837	$ 6,026,177
Net income (loss) after tax	(194,184)	283,415	(246,904)
Earning (loss) per share	(0.01)	0.02	(0.02)
Total assets	8,949,362	8,079,387	7,561,364
Total long-term liabilities	1,472,193	1,628,099	1,775,189
Cash dividend declared	Nil	Nil	Nil

RESULTS OF OPERATIONS

Revenues

During fiscal 2011, the Company recorded total sales of $6,050,421, down $1,038,416 or 15% from $7,088,837 for last year. This decline in revenue was primarily attributed to the significant reduction in sales during the fourth quarter resulting from lowered demand from the U.S.A. military market. It is unclear as to whether the decline in this segment is related to U.S.A.Department of Defense budget issues in the fall of 2011 or other more long-term influences. Pyng's flagship product, the FAST1® Intraosseous Infusion System was still the largest selling Sternal IO System with 40,579 units shipped during this year.

Gross Margin

Gross margin for the year ended September 30, 2011 amounted to $3,855,021, which represents 20% decrease from $4,834,539 of last year. Gross margin as a percentage of revenues decreased from 68% in 2010 to 64% in 2011, primarily due to the lower sales. In addition, the continuous strengthening of the Canadian dollar against the U.S. dollar caused a significant adverse impact on the majority of sales, which primarily occurred in U.S. dollars. Lower revenue was recognized due to the depreciation of the U.S dollar during 2011.

Expenses

The expenses for the year ended September 30, 2011 totalled $4,070,205, which was 8% lower than $4,442,124 for fiscal 2010. The reduction on expenses was primarily attributed to lower wages and benefits, professional fees and travel costs, offset by the higher amortization of intellectual property rights, consulting fees, foreign exchange loss and office expenses. On a percentage basis, expenses increased to 67% of sales from 63% a year ago (due to lower sales in 2011). The four largest expense categories are wages and benefits of $1,772,483, consulting fees of $438,297, amortization of deferred product development cost of $303,158 and amortization of patent and intellectual property rights of $199,840. These expenses comprised approximately 67% of the total expenses of the Company.

Wages and benefits for the year ended September 30, 2011 amounted to $1,772,483 (2010 - $2,068,456), or approximately 44%, of the total expenses, which represents 14% decrease from $2,068,456 of last year primarily due to staff departures. These expenses included base salaries and wages, bonus expenses and other benefits for employees.

Consulting fees increased 29% to $438,297 as compared to $341,038 for last year, due to higher fees for marketing and quality assurance matters to reduce regulatory risk.

The amortization of deferred product development costs decreased 10% to $303,158 from $336,797 of last year. In prior years, the deferred product development costs were being amortized on a per unit basis based on the sales volume projection for the remaining estimated useful life of the product. During fiscal 2011, the Company changed the amortization method to straight line to better reflect the pattern of realization of the future economic benefits. As a result, amortization was decreased by $68,859 in fiscal 2011 as compared to amortization with the previous method.

Amortization of patent and intellectual property rights of $199,840 was recorded during fiscal 2011. During fiscal 2011, the Company changed the estimated useful life of the intellectual property rights from indefinite to 15 years based on the current market demand and other economic factors. As a result, the intellectual property rights related to TPOD and MAT were amortized straight line over their estimated useful lives and the amount of $142,678 was amortized and charged to net income in fiscal 2011.

Net Loss

Net loss for the year ended September 30, 2011 was $194,184, compared to a net income of $283,415 of last year. This significant decrease in net income was primarily attributable to weak sales caused by reduced orders from the U.S.A. military. Amortization of the intellectual property rights recorded this year due to the accounting estimate change also contributed 73% of the net loss incurred in fiscal 2011.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected quarterly information for the last eight quarters.

	Sep. 30 2011 Q4	June. 30 2011 Q3	Mar. 31 2011 Q2	Dec. 31 2011 Q1	Sep. 30 2010 Q4	Jun. 30 2010 Q3	Mar. 31 2010 Q2	Dec. 31 2010 Q1
Total sales	$ 995,611	$ 1,723,803	$ 1,289,270	$ 2,041,737	$ 2,633,795	$ 1,290,643	$ 1,578,715	$ 1,585,684
Gross margin	525,533	1,121,336	809,803	1,398,349	1,794,944	831,124	1,075,565	1,132,906
Expenses	1,160,853	910,781	1,007,576	990,995	1,064,256	925,114	1,350,593	1,102,161
Net income (loss)	(635,320)	210,555	(197,773)	407,354	620,716	(92,990)	(275,028)	30,717
Earning (loss) per share	$ (0.05)	$ 0.01	$ (0.01)	$ 0.03	$ 0.05	$ (0.01)	$ (0.02)	$ 0.00

FOURTH QUARTER RESULTS

The Company recorded sales of $995,611 during the fourth quarter ended September 30, 2011, which decreased by $1,638,184 or 62% compared with the comparative quarter of fiscal year 2010 (2010 - $2,633,795). This significant sales drop was primarily due to reduced orders from U.S.A. military market. The operating expenses for the fourth quarter totalled $1,160,853 (2010 - $1,064,256), an increase of $96,577, or 9% compared with the comparative quarter of last year. The net loss for the quarter ended September 30, 2011 was $635,320, as compared to the net income of $620,716 for the fourth quarter of last year.

LIQUIDITY AND SOLVENCY

The Company's principal sources of liquidity are cash provided by operations, borrowing under a bank loan and line of credit, and issuance of convertible debentures. The Company's short-term cash requirements are primarily to fund working capital and invest in product development, particularly the FASTx re-launch project and intangible assets for growth initiatives. Cash has also been used to finance an acquisition of assets and other long-term strategic business initiatives.

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 from Export Development Canada to mitigate collection risks.

Cash Position

As at September 30, 2011, the Company had cash of $195,414 (September 30, 2010 – $282,993), representing a decrease of $87,579 compared with the balance as at the year ended September 30, 2010.

The cash provided by the operating activities for the year ended September 30, 2011 was $637,754, down $150,581 compared with the cash flow provided $788,335 during last year. The net loss incurred this year plus the cash outflow on the inventory mainly contributed the cash decrease this year.

For the cash flow on financing activities, the Company paid back $326,349 on the bank loan principle and increased the drawn-down by $68,346 from the line of credit. During this year, the Company closed a non-brokered private placement and issued 3,000,000 common shares at $0.20 per share for gross proceeds of $600,000 to a single investor. There was no finder's fees payable in connection with the placement but $22,385 of legal cost and filing fee was paid as share issuance cost for the placement.

The cash used by the investing activities, including the expenditures on product development, acquisition of equipment and patents, in the ordinary course of business for the year ended September 30, 2011, rose 58% to $1,013,966 from $642,077 of last year, primarily resulting from the increase on FASTX re-launch costs.

Working Capital

As of September 30, 2011, the Company had working capital of $113,710 (September 30, 2010 - $761,255), which decreased by $647,545, or 85% compared with the amount as at September 30, 2010. The decrease in working capital was attributable to a combination of factors including less than anticipated revenues in Q4 (Jul-Sep) and an increase in accounts payable, primarily related to FASTx re-launch costs.

The Company expects to increase its working capital requirements as the FASTX re-launch costs are anticipated to be incurred in the first two quarters of fiscal 2012 and the bank loan needs to be repaid in the short term. However, the cash flow needs for the regular operation is expected to decrease as management has been considering further operating expense cut in fiscal 2012. In addition, the management also has discussed the extension of payment terms with key suppliers.

The Company has engaged a corporate finance agent to pursue additional debt and/or equity financing to fund its working capital needs, however, there can be no assurance that these initiatives will be successful. Management plans to secure necessary financing through the combination of new credit facilities and issuance of new equity or convertible debt instruments. Inability to secure necessary financing could impact the company's ability to continue as a going concern.

This MD&A and the audited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months.

COMMITMENTS

a) Operating Lease

The Company has a one-year operating lease commitment on its Richmond production premises. The Company is required to pay base rent of $4,577 per month. The lease will expire on September 30, 2012.

b) Product Development and Manufacturing

In May 2011, the Company entered into a strategic relationship with Donatelle Plastics Inc. ("Donatelle"), a medical device development and manufacturing company in Minnesota USA. The company entered into this relationship to leverage Donatelle's well-known capabilities in product development and manufacturing as part of efforts in bringing FASTx back to market. Current estimates are that the Company will incur costs with Donatelle in the amount of US$1.4 million for the entire completion (product development) of the FASTx project. As of September 30, 2011, costs in the amount of US$807,219 had been incurred and the balance US$592,781 is anticipated to be incurred in the first two quarters of fiscal 2012. As at September 30, 2011, US$281,950 was included in accounts payable as owed to Donatelle. The FASTx project may be in jeopardy if Pyng cannot meet ongoing obligations due to its working capital position.

As part of the strategic relationship entered into with Donatelle in May, in addition to product development, the Company agreed to manufacture FASTx with Donatelle upon market release. All FASTx products for commercial sale will be manufactured by and purchased exclusively from Donatelle during the life of FASTx. All product supplied by Donatelle will meet mutually agreed specifications and will be charged at a mutually agreed unit price. If certain minimum volumes are not achieved or the product can not obtain FDA approval, cancellation charges could apply to offset Donatelle's investment (capacity and resource commitments) in the FASTx program.

c) Contractual Obligations

The following is an analysis of the contractual maturities of the Company's financial liabilities as at September 30, 2011:

	Due by period						
	Total	**<1 year**	**1-2 year**	**2-3 year**	**3-4 year**	**4-5 year**	**>5 year**
Accounts payable and accrued liabilities	**1,444,956**	1,444,956	-	-	-	-	-
Bank line of credit	**326,427**	326,427	-	-	-	-	-
Loan payable	**158,961**	158,961	-	-	-	-	-
Convertible debenture	**363,874**		-	363,874	-	-	-
Operating lease	**53,484**	53,484	-	-	-	-	-
Product development	**639,537**	639,537					
	$ 2,987,239	**$ 2,623,365**	**$ -**	**$ 363,874**	**$ -**	**$ -**	**$ -**

RELATED PARTY TRANSACTIONS

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.

a) Payment to directors

During the year ended September 30, 2011, consulting fees of $157,561 (2010 - $127,038) and directors fees of $107,500 (2010 - $101,949) were paid or accrued to the directors and officers of the Company.

As at September 30, 2011, $1,572 (September 30, 2010 - $9,393) was owing to directors for consulting fees and expense reimbursements. The amount is included in accounts payable.

b) Contractual commitments with directors

As at September 30, 2011, the Company did not have any contractual commitments with directors.

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.

We have identified the following as critical accounting estimates, which are defined as those that are reflective of significant judgments and uncertainties, are the most pervasive and important to the presentation of our financial condition and results of operations and could potentially result in materially different results under different assumptions and conditions.

Revenue Recognition

Revenue from sales of the Company's products is recognized at the time of shipment, at which point risks and rewards over ownership and title of transfer have been passed to the customer, provided that collection of the proceeds of sale is reasonably assured.

Research and Development Costs

All product development costs that meet the criteria of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064 – "Goodwill and Intangible Assets", have been capitalized. In prior years, the accumulated capitalized costs were being amortized on a per unit basis based on the sales volume projection for the remaining estimated useful life of the product. During fiscal 2011, the Company changed the amortization method to straight line to better reflect the pattern of realization of the future economic benefits.

The unamortized deferred product development costs are reviewed annually and should the review indicate that the basis of amortization requires modification, the change will be applied prospectively.

Patents

Patents are recorded at cost and comprised of costs associated with preparing, filing and obtaining patents. Technology license costs are recorded at the fair value of consideration paid.

Patents are amortized using the straight-line method over 10 years. The amounts shown for patents do not necessarily reflect present or future values and the ultimate amount recoverable will be dependent upon the successful development and commercialization of products based on these rights. If management determines that such costs exceed estimated net recoverable value based on future cash flows, the excess of such costs is charged to operations.

Intellectual Property Rights

All the costs incurred to acquire patents, trademarks, and other intellectual and industrial property rights related to TPOD®, MAT®, FASTINFO and CRIC™ have been capitalized. During fiscal 2011, the Company changed the estimated useful life of these intellectual property rights from indefinite to 15 years based on the current market demand and other economic factors.

Property and Equipment

Property and equipment are recorded at cost less amortization provided for over the estimated useful lives of the assets at the following annual rates and methods:

Assets	Annual Rate	Basis
Furniture and office equipment	20%	Declining balance
Medical equipment	20%	Declining balance
Computer equipment	30%	Declining balance
Leasehold improvements	30%	Straight-line
Software	100%	Straight-line

Impairment of long-lived assets

On an annual basis and when impairment indicators arise, the Company evaluates the future recoverability of its long-lived assets, including deferred product development costs, property and equipment, website development costs, patents and intellectual property rights. If the changes in circumstances indicate that the carrying amount of an asset may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted amount of the future cash flows is less than the carrying amount of the assets, an impairment is recognized for the difference between the carrying amount of the asset and its estimated fair value based on discounted net future cash flow or quoted market prices.

Intangible assets with indefinite useful lives are not amortized and are tested for impairment annually, or more frequent, if events or changes in circumstances indicate that the asset may be impaired. The impairment test compares the carrying amount of the intangible asset with its fair value, and an impairment loss is reorganized in income for the excess, if any.

As at January 10, 2012, there has been no impairment loss recognized.

Stock-based Compensation

The fair value of each share purchase option grant is estimated on the date of the grant using the Black-Scholes option-pricing model. The amount of share-based compensation associated with any share purchase options that are granted will be estimated and expensed, based on the vesting schedule, using assumptions involving the estimated dividend yield, expected volatility, the risk-free interest rate and the expected lives of the share purchase options. See Note 18(e) to the audited consolidated financial statements for the year ended September 30, 2011.

Income taxes

The Company accounts for income taxes using the asset and liability method of accounting. Under this method, future income tax assets and liabilities are determined based on differences between the carrying amounts of balance sheet items and their corresponding tax values and loss carry-forwards. The determination of the income tax provision requires management to interpret regulatory requirements and to make certain judgments. While income tax filings are subject to audits and assessments, Management believes that adequate provision has been made for all income tax obligations. However, changes in the interpretations or judgments may result in an increase or decrease in the income tax provision in the future. The amount of any such increase or decrease cannot be reasonably estimated.

CHANGE IN ACCOUNTING POLICIES

Business Combinations

Section 1582, "Business Combinations", applies prospectively to the Company's business combinations on or after January 1, 2011. Early adoption of this recommendation is permitted. This section replaces Section 1581, "Business Combinations", and harmonizes the Canadian accounting standards with International Financial Reporting Standards ("IFRS"). Under the new guidance, the purchase price used in a business combination will be the new fair value of the shares exchanged at their market price on the date of the exchange.

Currently, when shares are issued, they are valued based on the market price for a reasonable period before and after the date the acquisition is agreed upon and announced. Under the new guidelines, all acquisition costs are expensed where currently they are capitalized as part of the acquisition costs. There are also a number of other differences between the new guidelines and current GAAP. The adoption of this pronouncement had no impact on the Company's financial statements.

Consolidated Financial Statements and Non-controlling Interests

Section 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests", change the accounting and reporting of ownership in interests in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position (balance sheet) within equity, but separately from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of operations. In addition, these pronouncements establish standards for a change in a parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interest of the non-controlling owners. The adoption of these pronouncements had no impact on the Company's financial statements.

FUTURE ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that January 1, 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. For the companies with calendar year end, the date of transition to IFRS is January 1, 2010. The first interim and annual financial statement for fiscal year beginning January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

Since the Company has a fiscal year end September 30, the transition date is October 1, 2010. The Company will report interim and annual financial statements, with comparatives, in accordance with IFRS beginning with the quarter ending December 31, 2011. The transition date of October 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011, and of the amounts reported on the opening IFRS balance sheets as at October 1, 2010.

IFRS Transition Plan

The Company has developed an IFRS implementation plan to prepare the organization for this transition. The implementation project consists of three primary phases:

1. Scoping and diagnostic phase, which involves the identification of the main differences, at a high level, between the Company's accounting policy under Canadian GAAP and the IFRS, and the key areas that may be impacted. The areas with the highest potential impact were identified to include initial adoption of IFRS 1, property and equipment, share-based compensation, financial instruments, income taxes, foreign exchange and impairment of assets.

2. Evaluation and design phase, which involves the detailed evaluation of existing differences in accounting treatment and disclosure requirements, the selection of accounting policies under IFRS, the impact related to the conversion on internal controls, accounting systems and other business process.

3. Implementation and review phase, which involves the application of the new IFRS accounting policies to opening balances and comparative figures as required, and making any system or procedural changes necessary to enable the provision of accurate and timely financial reporting in accordance with the new accounting policies.

To date, there has been no significant change to the changeover plan and the convergence process has been conducted as planned. Effective October 1, 2011, the Company will adopt IFRS as the basis for preparing the financial statements. The Company will report interim and annual financial statements, with comparatives in accordance with IFRS beginning with the quarter ending December 31, 2011.

First Time Adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 First-time Adoption of International Financial Reporting Standard ("IFRS 1), which provides guidance for an entity's initial adoption of IFRS. IFRS 1

generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to these retrospective treatments. The Company has identified the following optional exemptions that it expects to apply in preparing the opening financial statements under IFRS:

- To apply *IFRS 3 Business Combination* prospectively from the transition date, without restating any prior business combination.

- To apply *IFRS 2 Share-based Payments* only to the equity instruments that were issued after November 7, 2002 and had not vested by the transition date.

- To apply *IAS 23 Borrowing Costs* prospectively from the transition date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

- IFRS 1 allows the first-time preparer to measure selected assets at fair value and us that fair value as deemed cost of those assets in the transition date balance sheet. The Company will not utilize this optional exemption and continue to use cost model for property, plant and equipment as of the date of the transition.

Impact of Adoption of IFRS on Financial Reporting

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements. The Company has identified a number of differences between Canadian GAAP and IFRS. Many of the differences are not expected to have a material effect on the reported results of operation or financial position. However, there may be significant changes resulting from the initial adoption of IFRS and accounting policy choices. The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current Canadian GAAP and IFRS. It should be noted that this is not a complete list of areas that might be changed, but to highlight the areas that the Company has identified as the most potential changes.

Impairment of Assets

Under Canadian GAAP, impairment is recognized for non-financial assets based on estimated fair value when the undiscounted future cash flows from an asset, or group of assets, is less than the carrying value. It is a two-step process of comparing the carrying value to the undiscounted cash flows and then writing down to the discounted cash flow. IFRS uses a one-step approach for testing and measuring asset impairment, with asset carrying values being compared to the higher of discounted cash flow and fair value less costs to sell. This difference will likely result in impairment more often. IFRS also require the reversal of an impairment loss when the recoverable amount is higher than the carrying value while Canadian GAAP does not permit reversals.

The Company has several classes of intangibles that require annual impairment testing. The Company expects the carrying value of intangible assets to change as at the date of transition under IFRS due to the difference in the calculation of impairment between Canadian GAAP and IFRS, but has not quantify the impact on the financial statements.

Share-based Payments

Under IFRS, the stock options granted with graded vesting must have a fair value calculation for each stage of vesting and the entity must record compensation over the vesting period of each tranche separately. The Canadian GAAP allows the entity to treat each instalment as one award and determine fair value using the average life of the instrument. Compensation cost is recognized on a straight-line basis over the life of the instrument.

The Company currently accounts for stock options that vest in instalments on straight-line basis over the vesting period. Upon conversion, this method will no longer be permitted and any outstanding unvested options will be accounted for under the graded vesting method. For the initial adoption, the Company will take the optional exemption provided under IFRS 1 and will not retrospectively apply the IFRS 2 to the stocks options granted before.

Property, Plant and Equipment

IFRS allows property, plant and equipment to be measured using historical cost method or fair value method. Fair value method is prohibited under Canadian GAAP. IFRS also requires that significant parts of the asset to be segregated into components and be recognized, derecognized and depreciated at the component level.

The Company has determined that it will continue to use the historical cost method and expected the componentization will not significantly impact the financial statement although the Company currently does not segregate the assets to the same level as would be required under IFRS.

Impact of Adopting IFRS on Business

Internal Control over Financial Reporting and Disclosure Controls and Procedures

As part of the review process, the Company is assessing the effect on internal control over financial reporting and disclosure controls. At this time, no significant changes have been identified as a result of conversion to IFRS.

Financial Reporting Expertise

The Company has identified resource requirements to establish appropriate IFRS financial reporting expertise. Training of the key members of the finance team began in 2010 and is a continuing process.

Business Activities

The Company does not expect significant impacts on the business activities such as relations with customer, suppliers and banks related to the transition to IFRS. To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

Information Technology System

The Company will perform an analysis of its accounting system and data infrastructure to evaluate the impact of the IFRS conversion. No material changes are expected to be made to the information system upon IFRS transition.

FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments recognized on the balance sheet consist of cash and cash equivalents, accounts receivable, other receivable, accounts payable and accrued liabilities, bank credit facility, loan payable and convertible debentures.

In accordance with CICA Section 3862, "Financial Instruments – Disclosures", the Company has classified fair value measurement using three-level hierarchies. Pursuant to Section 3862, fair value of assets and liabilities measured on a recurring basis include cash determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets. The recorded values of all of the other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management process. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

The Company is exposed to credit risk from accounts receivable. The Company performs certain credit evaluation procedures and does not require collateral for financial instruments subject to credit risk. The Company believes that credit risk is limited because the Company assesses the financial strength of its customers, and based upon factors surrounding the credit risk of its customers, establishes an allowance for uncollectible accounts and, as a consequence, believes that its account receivable credit risk beyond such allowances is limited. The maximum exposure to credit risk is the net carrying value of accounts receivable.

Credit risk also arises from cash with banks and financial institutions. This risk is limited because the counterparties are mainly Canadian banks with high credit rating. To minimize the risk, cash has been deposited in major financial institutions in Canada (subject to deposit insurance up to $100,000). The Company also acquires accounts receivable insurance coverage to mitigate collection risks.

The Company's credit risk for accounts receivable is concentrated, as the Company presently derives a substantial amount of its revenues from one distributor which contributed approximately 70% (2010 - 78%) of revenues for the year ended September 30, 2011. The sales are made to the distributor under a distributorship agreement. The non-renewal or cancellation of the contract could have a material adverse short-term impact on the Company.

Foreign Exchange Risk

The Company uses the Canadian dollar as its reporting currency for these consolidated financial statements. The Company's revenues are dominated primarily in U.S. dollars, giving rise to the exposure to market risks from changes in foreign exchange rates. The Company is exposed to foreign currency fluctuation on its cash, accounts receivable, accounts payable, accrued liabilities as well as certain operating expenses and its other long-term liabilities. If the Canadian dollar appreciated one percent against U.S. dollar, with all other variables remain constant, the net income would have been increased by approximately $7,000 (2010 – decreased by $4,000). If the Canadian dollar depreciated one percent against US dollar, there would be an equal and opposite impact on the net income.

During fiscal 2011, the Company entered into foreign currency forward contracts to protect itself against foreign exchange rate fluctuations. The forward foreign exchange contracts primarily require the Company to sell U.S. dollars for Canadian dollars at contractual rates. The Company's objective is to manage and control exposures and secure the Company's profitability on existing sales and anticipated future cash flows. The Company does not utilize derivative instruments for trading or speculative purposes.

Liquidity Risk

Liquidity risk is the risk the Company may not be able to meet its contractual obligations and financial liabilities as they become due. The Company is exposed to liquidity risk as its continued operations are dependent upon the Company realizing its accounts receivable, line of credit, bank loan and convertible debenture to satisfy its liabilities as they become due. To manage the Company's liquidity risk, customer credit evaluations are conducted based on trade references, bank reports, and periodic review of customers' payment patterns to ensure irregularities are addressed promptly. As at September 30, 2011, the Company has cash of $195,414 (2010 - $282,993) and working capital of $113,710 (2010 - $761,255). The significant decline in working capital was caused by the decrease in sales combined with FASTx re-launch costs. The Company is actively pursuing new financing to continue the FASTx re-launch project (estimated at $2 million) and for general working capital purposes. There are no certain that such new financing can be obtained.

Interest Rate Risk

Bank line of credit, loan payable and convertible debentures are subject to interest rate cash flow risk as the required cash flow to service the debt will fluctuate as a result of the changing prime interest rate. The Company has estimated that one percent increase or decrease in the prime rate would have caused the net income decrease or increase by approximately $8,000 (2010 - $19,000).

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, with the participation of its CEO and CFO, are responsible for establishing maintaining adequate internal control over financial reporting. Under the supervision of CEO and CFO, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("GAAP"). The Company's internal control over financial reporting includes policies and procedures that:

1 Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

2 Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that the Company's receipts and expenditures are made in accordance with authorization of management or the Company's directors as appropriate;

3 Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual or interim financial statements.

OUTSTANDING SHARE DATA

Share Capital

The Company has 100,000,000 authorized common shares without par value. As at January 10, 2012, there are 15,001,583 common shares issued and outstanding.

	Number of Shares		Amount		Contributed Surplus
Balance, Septemebr 30, 2009	12,001,583	$	7,844,724	$	552,481
Fair value of options issued	-		-		72,482
Balance, September 30, 2010	**12,001,583**	**$**	**7,844,724**	**$**	**624,963**
Common shares issued	3,000,000		600,000		
Share issue cost			(22,385)		
Fair value of options issued					24,076
Balance, September 30, 2011	**15,001,583**		**8,422,339**	**$**	**649,039**
Balance, January 10, 2012	**15,001,583**	**$**	**8,422,339**	**$**	**649,039**

On December 30, 2010, the Company closed a non-brokered private placement and issued 3,000,000 common shares at $0.20 per share for net proceeds of $600,000 to a single investor. There was no finder's fees payable in connection with the placement. All securities issued in connection with the placement were subject to a statutory hold period of four months plus a day from the date of issuance in accordance with applicable securities legislation. The proceeds of the placement were used for general working capital and to pursue international sales opportunities.

Stock Options

The Company has a rolling stock option plan, which follows the policies of the TSX Venture Exchange ("TSXV") regarding stock option awards granted to employees, directors and consultants. The stock option plan allows a maximum of 10% of the issued shares to be reserved for issuance under the plan. As at January 10, 2012, the total of 401,200 (September 30, 2010 – 1,166,200) stock options have been granted out of the 1,500,158 pool under this plan with the balance of 1,098,958 (September 30, 2010 – 33,958) stock options available to grant.

The Company's stock options vest as follows: 1/3 six months after the date of grant, 1/3 twelve months after the date of grant, and 1/3 eighteen months after the date of grant.

The fair value of stock options granted was estimated on the date of the grant using the Black-Scholes option-pricing model and is amortized over the vesting period of the underlying options with the following weighted-average assumptions used for options granted:

	2011	2010
Dividend yield	**Nil**	Nil
Expected volatility	-	82% - 83%
Risk-free interest rate	-	3.72%
Expected life	-	4 - 5 years

As at January 12, 2012, the following stock options were outstanding:

Options Outstanding				Options Exercisable
Number of Options	**Exercise Price**		**Expiring Date**	**Number of Options**
81,200	$	0.23	10-May-13	81,200
60,000	$	0.56	12-Jun-13	60,000
60,000	$	0.41	8-Sep-13	60,000
50,000	$	0.20	18-May-14	50,000
150,000	$	0.20	9-Mar-15	150,000
401,200				**401,200**

Warrants

As at January 10, 2012, the following warrants were outstanding:

Number of Warrants	Exercise Price		Expiring Date
110,000	$	0.55	6-Jun-13
2,725,000	$	0.22	10-Aug-14
2,835,000			

Escrow Shares

As at January 10, 2012, all the shares held in escrow have been released in accordance with TSX Venture Exchange policies (September 30, 2010 – 300,000).

ECONOMIC DEPENDANCE

The Company presently derives a substantial amount of its revenue from one distributor which contributed approximately 70% (2010 - 78%) of revenue for the year ended September 30, 2011. The sales are made to the 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 57% (September 30, 2010 - 79%) of the accounts receivable balance as at September 30, 2011.

RISKS AND UNCERTAINTIES

For the Company's risk factors, see the risks identified in the forward-looking information section above, and refer to the risk factors section of the Company's press releases, all filed with the Canadian securities regulators, which is available on SEDAR at www.sedar.com