PYNG MEDICAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Nine Months Ended June 30, 2015 and 2014

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 conditions of the Company should be read in conjunction with the audited financial statements for the year ended September 30, 2014 and the related notes therein. The effective date of this report is August 25, 2015. 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.

1. 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.

2. BUSINESS OVERVIEW

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 210, 13480 Crestwood Place, Richmond, BC V6V 2J9. The Company's registered office is located at 595 Burrard Street, Suite 2600, Vancouver, B.C., V7X 1L3. Pyng Medical USA Corp. is the Company's wholly owned subsidiary, which was incorporated 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 Medical Corp. engineers and markets award-winning trauma and resuscitation products for front-line critical care personnel world-wide. Pyng's product portfolio includes innovative sternal intraosseous (sternal IO), pelvic stabilization and tourniquet devices specifically designed and customized for both the military and civilian markets. With growing markets in North America, Europe and Asia, Pyng develops user-preferred medical devices for use by hospital staff, emergency medical services and military forces worldwide.

3. PRODUCT PORTFOLIO

FAST1® Intraosseous Infusion System

Pyng has researched, developed and commercialized a proprietary intraosseous (IO) infusion system, FAST1® Intraosseous Infusion System, which has been granted numerous patents in the U.S.A., Mexico, Canada and Europe. It 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.

FASTResponder and FASTCombat Sternal Intraosseous Devices

FASTResponder and FASTCombat Sternal Intraosseous Devices have been the Company's next generation of IO products which were re-engineered from FAST1®. FASTResponder™ and FASTCombat™ were designed to be easy-to-deploy, and require no additional tools or pre-use incisions to provide fluids, medication, and blood quickly and easily. 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. A new target foot provides for stability and aides in proper alignment. In November 2010, the Company initiated a voluntary recall due to the early feedback that performance was inconsistent in several early training sessions. Thereafter, the Company started a re-launch project to improve the previous designs and address the issues. In fiscal 2013, the Company completed the re-launch project and received regulatory approval for FASTResponder from Health Canada, CE Mark in Europe, and Food and Drug Administration ("FDA") in USA. The FASTResponder started commercial production and sales in August 2013. In fiscal 2014, the company completed the design efforts for the FASTCombat version of the new FASTR product line.

T-POD® Pelvic Stabilization Devices

The T-POD® Pelvic Stabilization Devices provide immediate treatment of simple and complex pelvic fractures by binding the pelvis to reduce pain, bleeding, haemorrhage, as well as morbidity and mortality risks. In fiscal 2013, Pyng formed a relationship with a new technology partner for Trauma products to yield new products in this category. Two new products were released. The first new product was called "TPODCombat™", a new pelvic stabilization device focused on the needs of the military that can be packaged in a smaller space and introduced new materials for improved product performance. Another one is called "TPODResponder™", which is a similar product targeting the civilian market with different colour and packaging.

MAT® Tourniquet

The MAT® Tourniquet is applied by the wounded patient (one-handed) or initial responder to quickly and effectively stop life threatening bleeding of any extremity to reduce the risk of limb loss and

mortality. The E-MAT™ is a tourniquet marketed for the Emergency Medical Services (EMS) Market. It 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. On May 1, 2014, the Company announced the launch of second generation tourniquet product MATResponder™, which offers advanced safety features, including a no-slip buckle, and uses of a unique mechanical advantage tourniquet system to provide first responders with safe compression in controlled increments.

CRIC™ Complete Rapid Illuminated Cricothyrotomy

The **CRIC™** (Complete Rapid Illuminated Cricothyrotomy) is an innovative, life-saving medical product allowing 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 provides a rapid Cricothyrotomy 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. During fiscal 2012, the Company evaluated the recoverability of the intangible assets related to CRIC and believed that it was not probable to achieve the milestones described in the purchase agreement based on the current product development status and working capital position. As such, a net amount of $1,229,440 intangible assets related to CRIC were written down and further product development is currently on hold, pending further discussions with the USA military and FDA.

4. RESULTS OF OPERATIONS

Sales

The Company achieved strong sales growth during the quarter ended June 30, 2015. Total sales of $1,974,772 revenue were reported, which more than doubled the amount of $947,772 reported for the third quarter of last year (FY14). This was the highest quarterly sales total the Company reached in the past four years. Sales for the nine months ended June 30, 2015 also increased 30% to $5,139,375, as compared to $3,951,066 reported a year ago. The sales increases were attributed to both higher IO product sales, due to strong demand from the military market segment, in addition to TPOD growth into the civilian market segment.

Gross Margin

Gross margin for the quarter ended June 30, 2015 increased to $895,100, due to higher sales achieved this quarter, compared to the $493,545 gross margin for the third quarter of last year (FY14). Gross margin as a percentage of sales decreased to 45%, from 52% a year ago. This decrease can primarily be attributed to market segment specific sales promotions, which also drove sales volumes. For the nine months ended June 30, 2015, the Company reported total gross margin of $2,407,390, up $535,310 or 29% from the $1,872,080 reported for the comparative period of last year (FY14),. This increase was primarily driven by higher sales this third quarter compared to last year. Gross margin as a percentage of sales for the nine months ended June 30, 2015 remained flat at 47% from the comparative period of last year.

Expenses

Total expenses for the three months ended June 30, 2015 were $873,018, up $197,542 or 29% from $675,476 reported for the third quarter fiscal 2014. Total expenses for the nine months ended June 30, 2015 also increased 12% to $2,600,413 from $2,329,466 for the comparative period of last year. The increased expenses are primarily attributable to higher product development costs, general and administrative expenses, sales and marketing expenses, and higher foreign exchange loss, partially offset by lower amortization of intangible assets and interest expenses.

Research and product development expenses primarily consist of salary and benefits paid to technical personnel, new product development costs that do not meet the capitalized standard under the IFRS, and travel and office expenses related to product development activities. Research and Development expenses for the three months ended June 30, 2015 were $39,278, slightly higher than the amount of $32,199 reported for the third quarter of last year. For the nine-month period, total expenses increased to $227,452 from $109,563 for the comparative period of last year. The increase was caused by higher legal fees and product development expenses incurred this year.

General and administrative expenses for the quarter ended June 30, 2015 were $446,995, 57% higher than $285,482 reported a year ago. This increase was mainly attributed to higher legal costs as a result of a legal settlement with a distributor in Europe, and higher staff costs this quarter compared to one year ago. As driven by higher expenses this third quarter, total general and administrative expenses for the nine months ended June 30, 2015 increased to $1,107,071, up $131,562 or 13% from $975,509 for the nine-month period of last year.

Sales and marketing expenses for the three months ended June 30, 2015 were $253,557, up $65,878 or 35% compared to $187,679 reported for the third quarter of fiscal 2014, primarily due to higher advertising and promotion, marketing samples, payroll and benefits, travel expenses and shipping costs. As a result, a total amount of $689,566 was reported for the nine-month period, an increase of $105,016 or 18% compared to $584,550 reported for the first three quarters of last year.

Amortization of property and equipment for the quarter ended June 30, 2015 was $4,408, slightly higher than $4,357 for the third quarter of last year due to computer system upgrading this quarter. For the nine months ended June 30, 2015, amortization decreased to $12,768 this year as compared to $13,071 reported a year ago due to reduced carrying value this year, partially offset by an increase on new property purchased this year.

Amortization of intangible assets for the three and nine months ended June 30, 2015 decreased to $86,432 and $259,166 respectively, as compared to $141,971 and $424,134 for the comparative periods of fiscal 2014. This significant decrease was primarily driven by the absence of the deferred product development cost amortization on products which were fully amortized by the end of last fiscal year.

Total interest expenses of $46,885 were reported for the third quarter of fiscal 2015, down 8% or $4,275 from $51,160 reported for the third quarter of fiscal 2014. This decrease was primarily attributable to lower interest on convertible debt and a promissory note, resulting from the lower principal balance this year compared to the third quarter of last year. For the same reason, the interest expenses for the nine-month period decreased to $138,397 from $154,513 reported a year ago.

Other finance costs included amortization of deferred financing costs and accretion of interest on convertible debts, which were issued in fiscal 2009 and amended in fiscal 2014 (see Note 13). For the three and nine months ended June 30, 2015, other finance costs increased to $24,224 and $72,672

respectively, as compared to $17,160 and $51,481 reported for the comparative periods of fiscal 2014. This increase reflected the higher amortization of deferred financing costs, partially offset by the lower interest accretion for the convertible debenture amended and renewed in August 2014.

Foreign exchange gain or losses are attributable to the effect of the changes in the value of U.S. dollar, relative to the Canadian dollar, on the U.S. dollar denominated net monetary position. A foreign exchange gain of $30,746 was reported for the three months ended June 30, 2015, as compared to the gain of $46,409 reported for the third quarter of last year. These gains reflected the favorable movement of Canadian dollar during this quarter. For the nine-month period, the exchange loss of $149,154 was reported as compared to $9,346 reported for the comparative period of last year. This increased exchange loss was caused by the increased U.S. dollar denominated net liability position and higher currency fluctuation this year. Compared to the U.S. dollar, the reporting currency Canadian dollar weakened from 1.1200 at September 30, 2014, to 1.1601 at December 31, 2014, 1.2666 at March 31, 2015 and 1.2490 at June 30, 2015. For the comparative period of last year, the Canadian dollar weakened from 1.0303 at September 30, 2013, to 1.0636 at December 31, 2013, 1.1055 at March 31, 2014 and 1.0670 at June 30, 2014.

Net Income (Loss) and Comprehensive Income (Loss)

The Company reported a net income of $22,082 for the three months ended June 30, 2015, an increase of $204,013 as compared to a net loss of $181,931 reported for the third quarter last year, due to the higher margin generated by the higher sales this year. For the same reason, the net loss decreased 45% to $253,023 for the nine months ended June 30, 2015, as compared to net loss of $457,386 reported a year ago. The decreased loss was partially offset by the higher operating expenses and higher foreign exchange loss this year.

5. SUMMARY OF QUARTERLY RESULTS

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

	Jun.30 2015 Q3	Mar. 31 2015 Q2	Dec.31 2015 Q1	Sep. 30 2014 Q4	Jun. 30 2014 Q3	Mar. 31 2014 Q2	Dec.31 2013 Q1	Sep. 30 2013 Q4
Total sales	$ 1,974,772	$ 1,650,528	$ 1,514,075	$ 1,326,330	$ 947,772	$ 1,466,392	$ 1,536,903	$ 1,743,945
Gross margin	895,100	848,637	663,653	519,322	493,545	665,612	712,925	743,284
Expenses	873,017	1,014,701	772,695	856,086	675,476	860,482	795,816	613,732
Net income (loss)	22,082	(166,064)	(109,042)	(336,746)	(181,931)	(194,870)	(82,891)	129,552
Earning (loss) per share	$ 0.00	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.00)	$ 0.01

6. LIQUIDITY AND SOLVENCY

The Company's principal sources of liquidity are cash provided by operations, borrowing from a loan, and issuance of equity. The Company's short-term cash requirements are primarily to fund working capital and invest in product development and intangible assets for growth initiatives. Cash has also been used to finance other aspects of the longer-term strategic business plan.

To help 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 June 30, 2015, the Company had cash of $473,109, up $319,885 compared to the balance $153,224 as at the year ended September 30, 2014.

Cash provided by operating activities for the quarter ended June 30, 2015 was $335,231, up $318,411 compared to the cash provided by operations of $16,820 for the third quarter of fiscal 2014. The increase was primarily attributed to the higher gross margin generated during this quarter and higher cash provided from non-cash working capital items. As a result, for the nine months ended June 30, 2015, the Company generated cash of $590,432 from the operating activities, an increase of $308,845 compared to $281,587 reported a year ago.

During the three months ended June 30, 2015, the net cash used for the financing activities was $85,382, which reflected the reduced principal repayments after one promissory note was restructured, as disclosed in Note 12 (b). On November 7, 2014, the Company issued a promissory note with one director in the amount of $87,008 to support working capital needs. For the nine-month period, the Company paid back total principal of $318,037 on these two promissory notes. For the comparative period of last year, principal of $124,102 was paid back on the promissory note signed with the manufacturing partner (Note 12 (b)).

Cash used by investing activities included the expenditures on property and equipment and intangible assets, which included product development, patents and intellectual property rights in the ordinary course of business. During the quarter ended June 30, 2015, cash flows used in investing activities were $47,482, up $36,008 compared to $11,474 reported for the third quarter of last year. For the nine-month period, the cash used for the investing activities decreased to $56,337 from $320,672 for the comparative period of last year. The decrease was due to the absence of the payments made last year for the past-due product development invoices, as required by the promissory note the Company signed in November 2013.

Working Capital

As at June 30, 2015, the Company had a working capital deficiency of $735,563, down $81,740 or 10%, compared with the deficiency of $817,303 as at September 30, 2014. This improvement on working capital position is attributable to the higher cash and accounts receivable resulting from the higher sales, partially offset by the higher current liabilities as at June 30, 2015.

The following is an analysis of the contractual maturities of the Company's financial liabilities as at June 30, 2015:

	Due by period						
	Total	**<1 year**	**1-2 year**	**2-3 year**	**3-4 year**	**4-5 year**	**>5 year**
Trade payables and accrued liabilities	**$ 1,889,525**	$ 1,889,525	$ -	$ -	$ -	$ -	$ -
Loan payables	**754,868**	597,540	157,328	-	-	-	-
Convertible debentures	**513,851**	513,851	-	-	-	-	-
Operating lease	**29,863**	27,551	2,312	-	-	-	-
Product development	**533**	533	-	-	-	-	-
	$ 3,188,640	**$ 3,029,000**	**$ 159,640**	**$ -**	**$ -**	**$ -**	**$ -**

The Company expects to decrease its product development working capital requirements in the short-term. Moreover, cash flow needs for regular operations are expected to remain stable after the operating expense cuts have been put in place, subject to new sales/marketing initiatives planned.

This MD&A and the audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards 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. The Company's ability to continue as a going concern is dependent upon its ability to achieve future profitable operations and to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due.

7. COMMITMENTS

Operating Lease

The Company originally signed a one-year operating lease on its Richmond office starting from August 1, 2012 which expired on July 31, 2014. The Company was required to pay base rent of $1,975 per month. This lease was renewed for two years commencing August 1, 2014 and expires on July 31, 2016, which requires the Company to pay monthly base rent of $2,119 for the first year and $2,312 for the second year.

Product Development

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 their capabilities in product development and manufacturing as part of its efforts in bringing new products to the market. As at June 30, 2015, new product development costs in the amount of US$2,202,161 had been incurred and the balance of US$427 is anticipated to be incurred in the second quarter of fiscal 2015.

Legal Settlement

On December 8, 2014, the Company received a legal letter from a lawyer engaged by a Pyng distributor in Europe with regards to the termination of the distribution agreement which the Company initiated on December 2, 2014. On April 30, 2015, the Company reached an agreement with the distributor to settle the claim. Pursuant to the settlement agreement, the Company was required to pay a total amount of €35,617 to the distributor, which included the lump sum payment €25,500 to terminate all the agreements, reimbursement of proceeding costs €800 and unpaid service fees claimed €9,317. The Company paid out the settlement payment as per the agreement and completed the settlement process during this quarter.

8. 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.

Compensation of Key Management Personnel

Key management personnel are persons responsible for planning, directing and controlling the activities of the Company. The Company considers all directors and officers of the Company to be key

management personnel. The compensation of key management for the quarters ended June 30, 2015 and 2014 was as follows:

		Three Months Ended June 30, 2015		Three Months Ended June 30, 2014
Short-term employee benefits	**$**	**156,436**	$	110,562
Director fees		**31,750**		30,750
Share-based payments		**16,054**		2,516
	$	**204,240**	$	143,828

The short-term employee benefits included management fees of $54,831 (three months ended June 30, 2014 - $51,346) incurred to a director and a company controlled by an officer. As at June 30, 2015, a balance $11,079 (September 30, 2014 - $2,660) was outstanding and reported under trade payables for the services rendered in June 2015.

As at June 30, 2015, director fees of $147,750 (September 30, 2014 - $125,000) were outstanding and included in accrued liabilities (Note 18 (c)).

Short-term Loans and Shares for Debt Transactions

During fiscal 2012, the Company secured several short-term loans totalling US$545,000 from its largest shareholder, MDR Specialty Corporation ("MDR"), to fund product development costs. All of the loans carried interest at 11% per annum, were unsecured and did not include an equity component. During fiscal 2013, the loans were renewed for several times and the interest rate increased to 18% per annum (see Note 14 (a)).

On April 29, 2013, the Company reached an agreement with MDR to convert the loan into common shares. After the approval of disinterested shareholders and the TSX Venture Exchange ("TSX-V"), the Company closed the Shares for Debt Transaction on October 2, 2013, and issued a total of 6,645,080 common shares at a price of $0.09 per common share to MDR in settlement of the debt owing by the Company to MDR in the amount of $598,057 (US$588,118).

All securities issued in connection with the Shares for Debt Transaction were subject to a statutory hold period of four months plus a day from the date of issuance in accordance with applicable securities law legislation.

MDR and Excelera Corporation ("Excelera") are wholly-owned subsidiaries of Venuity Corporation. A director of the Company is the co-founder and Chief Executive Officer of Venuity Corporation, and owns 80% of the shares of Venuity Corporation. Following completion of the Shares for Debt Transaction, MDR owns and controls 6,645,080 common shares of the Company, being approximately 28.17% of the 23,587,496 common shares of the Company currently issued and outstanding. MDR and Excelera together own 9,645,080 common shares, 40.89% of the total issued and outstanding common shares of the Company.

On February 26, 2014, the Company rolled over the unpaid interest in the total amount of $65,483 (US$52,428) into a new loan, which was accrued but not converted into common shares with the private placement closed on October 2, 2013. The loan carries interest of 11% per annum and the term was six months. Since then, the loan was renewed with the principal and interest accrued to date under the same terms every six months upon maturity. The latest renewal was on February 25, 2015 with the principal

and interest accrued totalling $73,890 (US$58,337) (Note 12 (b)). The due date was August 25, 2015. As at June 30, 2015, accrued interest of $2,723 (US$2,180) was reported under accrued liabilities.

Warehouse Service Agreement

On December 24, 2012, the Company entered into a one year service agreement with MDR effective January 1, 2013. Pursuant to the agreement, MDR agreed to provide third party warehouse service for the Company at MDR's warehouse facility in Virginia, USA. The standard service fee is US$5,000 per quarter. During the third quarter fiscal 2015, service fees of $6,245 (US$5,000) (three months ended June, 2014 - $5,335 (US$5,000)) were incurred and $40,593 (US$32,500) was outstanding as at June 30, 2015. In addition, an amount of $29,600 (US$23,699) (September 30, 2014 - $7,104 (US$6,343)) was owed to MDR as at June 30, 2015 for the pass-through shipping cost advanced by MDR to the couriers.

Promissory Note

On November 7, 2014, the Company issued a promissory note to one director with principal of US$75,000 (Note 12 (c)). The note carries interest of 11% per annum, is unsecured and has no equity component attached. The note has a term of fifteen months and will be fully paid back by January 31, 2016. Pursuant to the note, only interest payments were paid by the Company for the first three months. For the remaining twelve months, the blended monthly payments will be made by the end of each month, which include principal of US$6,250 and interest calculated for each month.

9. OFF BALANCE SHEET ARRANGEMENTS

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

10. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS 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. These estimates 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 specific criteria of capitalization under IFRS 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 estimated remaining 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 FAST1®**,** FASTResponder™, TPOD®, TPODCombat™, TPODResponder ™ , MAT® and EMAT®, MATResponder™, 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. The recoverable amount is the higher of the fair value less cost to sell and the value in use. In assessing value in use, the estimated future cash flow are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. An impairment loss is recognized in net loss if carrying amount of an asset or its cash-generating unit exceed its estimated recoverable amount.

Stock-based Payments

The fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options

were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. This estimate requires determining the most appropriate inputs to the valuation model including the estimated dividend yield, expected volatility, the risk-free interest rate and the expected lives of the share purchase options.

Income taxes

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

11. CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee continuously issue certain new standards and interpretations. The following new and revised standards issued by the IASB were adopted by the Company on October 1, 2013, and have no impact on the Company's results of operations and financial position.

IFRS 10 Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11 Joint Arrangements

IFRS 11 describes the accounting for arrangement in which there is joint control by focusing on the rights and obligations of the arrangement rather than its legal form. Proportionate consolidation is not permitted for joint ventures and it requires a single method to account for interest in jointly control entities.

IFRS 12 Disclosure of Interest in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangement, associates, special purpose vehicles and other off balance sheet vehicles. This standard enables users of financial statements to evaluate the nature and risks associated with an entity's interest in other entities and the effects of those interests on its financial performance.

IFRS 13 Fair Value Measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.

IFRS 7 Financial Instruments – Asset and Liability Offsetting

The IASB issued amendments to IFRS 7, "Financial Instruments: Disclosure", which clarify the requirements for offsetting financial instruments to help investors and other financial statements users to better assess the effect of offsetting arrangements on a company's financial position.

12. FINANCIAL INSTRUMENTS AND RISKS

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

The fair value of the Company's cash, accounts receivable, other receivables, trade payables, accrued liabilities and short-term loan approximate the carrying amounts due to their short-term nature. The fair value of the liability component of the convertible debenture was estimated by discounting future cash flow at the current market interest rates for agreements covering similar investments. Based on the quoted interest rates for borrowings of companies of similar level risk, in management's estimation, the carrying value of the liability component of the convertible debenture approximates fair value.

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, limits on the amount of credit extended as deemed necessary. 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 48% of revenues for the three months ended June 30, 2015 (three months ended June 30, 2014 - 42%). 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 certain revenues and expenses are dominated 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 and loan payable. 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 $7,048 (three months ended June 30, 2014 – $9,146). If the Canadian dollar depreciated one percent against US dollar, there would be an equal and opposite impact on the net income.

During the first three quarters of fiscal 2015, 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 the anticipated future cash flows. The Company does not utilize derivative instruments for trading or speculative purposes.

The forward foreign exchange contracts primarily require the Company to sell U.S. dollars for Canadian dollars at contractual rates. As at June 30, 2015, all the forward contracts the Company entered into were settled.

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 on its accounts receivables and the ability to issue debt and equity instruments to satisfy its liabilities as they become due.

The Company controls liquidity risk by management of working capital, cash flow and availability of borrowing facilities. The Company has a planning and budgeting process in place to manage the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has been actively pursuing new financing to meet its working capital needs and reduce the liquidity risk. Subsequent to the quarter end, The Company renewed the convertible debenture with the amended terms (Note 18 (b)) and closed the shares for debt transactions to settle the outstanding director fees $106,250 (Note 18 (c)). Management hopes to secure the necessary working capital financing through issuance of new equity or debt and to fulfill debt obligations.

Interest Rate Risk

The loan payable and convertible debentures are subject to interest rate cash flow risk as the required cash flow to service the debt will fluctuate with the changing prime interest rate. The Company has estimated that one percent increase or decrease in the prime rate would have caused a loss increase or decrease by approximately $1,321 (three months ended June 30, 2014 - $1,359).

13. 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:

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

14. OUTSTANDING SHARE DATA

Share Capital

The Company has 100,000,000 authorized common shares without par value. As at August 25, 2015, there are 25,712,496 common shares issued and outstanding.

	Number of Shares	Amount	Reserves
Balance, September 30, 2014	**23,587,496**	**9,180,412**	**878,765**
Warrants issued with the convertible debt renewal			**8,724**
Fair value of options issued			**20,642**
Balance, June 30, 2015	**23,587,496**	**9,180,412**	**908,131**
Shares issued to settle the director fees	2,125,000	106,250	-
Balance, August 25, 2015	**25,712,496**	**9,286,662**	**908,131**

On October 2, 2013, the Company closed the Shares for Debt Transaction and issued a total of 6,645,080 common shares at a price of $0.09 per common share to MDR in settlement of the debt owing by the Company to MDR in the amount of $598,058 (US$588,118), as disclosed in Note 15 (b).

On August 11, 2015, The Company closed a shares for debt transaction with certain of its directors pursuant to which the Company issued 2,125,000 common shares to settle the outstanding director fees of an aggregate amount of $106,250 (approximately one common share for each $0.05 of debt owed). All securities issued pursuant to this shares for debt transaction are subject to a hold period of four months which will expire on December 12, 2015.

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. 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, except as approved by the Board on individual grants for specific purposes.

On January 21, 2014, the Company granted a total of 150,000 options to purchase common shares of the Company to directors of the Company in accordance with the Company's stock option plan dated March 18, 2005, as amended and restated on March 5, 2008 and March 31, 2011. The options will expire four years from the date of grant and have an exercise price of $0.06 per common share. One-third of the options granted will vest every six months for a period of 18 months.

On July 1, 2014, the Company granted a total of $150,000 options to purchase common shares of the Company to directors in accordance with the Company's stock option plan. The options will expire four years from the date of grant and have an exercise price of $0.065 per common share. One-third of the options will vest every six months for a period of 18 months.

On April 22 and May 26, 2015, the Company granted a total of 648,000 options to purchase common shares of the Company to directors and officers of the Company in accordance with the Company's current stock option plan. The options vested immediately, expire on April 22 and May 26, 2019, and have an exercise price of $0.05 per common share.

On July 1, 2015, the Company granted a total of 315,000 options to directors and officers to purchase common shares of the Company in accordance with the current stock option plan. The options vested immediately, expire on July 1, 2019 and have an exercise price of $0.05 per common share.

As at August 25, 2015, a total of 1,843,000 (September 30, 2014 – 1,045,000) stock options have been granted out of the 2,571,250 (September 30, 2014 – 2,358,750) pool under this plan, with the balance of 728,250 (September 30, 2014 – 1,313,750) stock options available to grant.

As at August 25, 2015, the following stock options were outstanding:

Options Outstanding				Options Exercisable
Number of Options		**Exercise Price**	**Expiring Date**	**Number of Options**
450,000	$	0.100	22-Aug-16	450,000
130,000	$	0.100	1-Jul-17	130,000
150,000	$	0.060	21-Jan-18	150,000
150,000	$	0.065	1-Jul-18	100,000
310,000	$	0.050	22-Apr-19	310,000
338,000	$	0.050	26-May-19	338,000
315,000	$	0.050	1-Jul-19	315,000
1,843,000				**1,793,000**

Warrants

On November 3, 2014, the Company closed the amendments to the terms of certain previously issued secured convertible notes dated August 10, 2009 in the aggregate principal amount of $530,000 (Note 13) effective August 8, 2014. In consideration of the foregoing amendments, each holder of an amended 2009

Note was issued one non-transferrable common share purchase warrant for every $0.06 of the principal amount of their notes. The warrants have an exercise price of $0.065 per warrant and a term of one year and are subject to a hold period of four months from the date of issuance in accordance with the rules and policies of the TSX-V and applicable Canadian Securities laws.

On August 10, 2015, the Company completed amendments to the terms the terms of certain previously issued secured convertible notes in the aggregate principal amount of $530,000 (the "2014 Notes"). The Company amended the maturity date of the 2014 Notes from August 8, 2015 to August 8, 2016 and revised the price at which the principal of the 2014 Notes are convertible into common shares of the Company from $0.06 per common share to $0.05 per common share. Each holder of an amended 2014 Notes was issued one non-transferable common share purchase warrant (each, a "Warrant") for every $0.05 of the principal amount of their notes. The Warrants have an exercise price of $0.05 per Warrant and a term of one year.

As at August 25, 2015, the following warrants were outstanding:

Number of Warrants		Exercise Price	Expiring Date
1,455,625	$	0.113	19-Jul-16
10,600,000	$	0.050	8-Aug-16
12,055,625			

15. ECONOMIC DEPENDANCE

The Company presently derives a substantial amount of its revenue from one distributor which contributed approximately 48% (three months ended June 30, 2014 - 42%) of sales for the three months ended June 30, 2015. 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 54% (September 30, 2014 - 56%) of the accounts receivable balance as at June 30, 2015.

16. SUBSEQUENT EVENTS

a) On July 1, 2015, the Company granted a total of 315,000 options to directors and officers to purchase common shares of the Company in accordance with the current stock option plan. The options vest immediately, expire on July 1, 2019 and have an exercise price of $0.05 per common share.

b) On August 10, 2015, the Company completed amendments to the terms the terms of certain previously issued secured convertible notes in the aggregate principal amount of $530,000 (the "2014 Notes"). The Company amended the maturity date of the 2014 Notes from August 8, 2015 to August 8, 2016 and revise the price at which the principal of the 2014 Notes is convertible into common shares of the Company from $0.06 per common share to $0.05 per common share. Each holder of an amended 2014 was issued one non-transferable common share purchase warrant (each, a "Warrant") for every $0.05 of the principal amount of their notes. The Warrants have an exercise price of $0.05 per Warrant and a term of one year.

c) On August 11, 2015, The Company closed a shares for debt transaction with certain of its directors pursuant to which the Company issued 2,125,000 common shares to settle the

outstanding director fees of an aggregate amount of $106,250 (approximately one common share for each $0.05 of debt owed). All securities issued pursuant to this shares for debt transaction are subject to a hold period of four month which will expire on December 12, 2015.

17. 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