

# **RXT 110 INC.**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The following discussion and analysis of the financial results for the year ended September 30, 2011 should be read in conjunction with the company's audited financial statements for the year ended September 30, 2011.

## **RISK AND UNCERTAINTIES**

Certain statements included in this discussion may constitute forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance of achievements of the company, or industry results, to be materially different from any future results, performance and achievements expressed or implied by such forward-looking statements. Such factors include changes in government regulations, general economic conditions and business conditions, which among other things may affect demand for the company's activities and the ability of the company to implement its business strategy.

## **RESULTS OF OPERATIONS**

### **Revenues**

The company did not earn any revenues during the 2011 and 2010 fiscal years.

### **Expenses**

The increase in administrative expenses is attributable to the company acquiring intellectual property rights to certain technology and processes and the costs related to further plan, develop and expand the consumer and commercial applications of the technology.

## **LIQUIDITY**

RXT 110 Inc.'s working capital stands at \$1,042,284 compared to a deficiency of \$44,352 at the end of the prior year, comprised of cash, amounts receivable, prepaid expenses and other assets, future income tax assets, loans receivable and payable and accounts payable.

## **OFF BALANCE SHEET ARRANGEMENTS**

The company has no off balance sheet arrangements.

## **IMPORTANT TRANSACTIONS**

During the year the company recognized an impairment loss of \$200,000 being the full carrying amount of a revoked license agreement entered into on November 26, 2010 with Rx 110 Inc., a company controlled by a director of the company. The company also recognized a bad debt expense for a receivable balance of \$65,447 due from the same company.

A receivable balance of \$5,071 due from a company controlled by a director and shareholder of the company was also expensed as a bad debt during the year because the debtor company has ceased operations.

On June 7, 2011, the company entered into an exclusive world-wide license agreement with Marcus Martin, a Director of the company and also the inventor, with respect to certain intellectual property rights held by Mr. Martin relating to a process for the manufacture of anti-microbial filler product (the "MM License Agreement"). The MM License Agreement provides for an interim license for a two year period during which time the company has the opportunity to prove out the manufacturing process and obtain all legal and regulatory approvals. The consideration payable for the interim license was \$150,000 of which \$100,000 is included in accounts payable at September 30, 2011. The company has the option to convert the interim license to a full license and upon the exercise of such option the company is required to issue 20,000,000 Class A Shares to the licensor and pay a royalty.

On July 15, 2011, the company announced a private placement of up to 14,135,000 units at a price of \$0.20 per unit for gross proceeds of up to \$2,827,000 (the "Offering"). Each unit consisting of one Class A Share and one Class A Share purchase warrant. Each warrant will entitle the holder to purchase one additional Class A Share in the capital of the corporation at an exercise price of \$0.30 per Class A Share to the extent such Warrant is exercised on or before the date that is 18 months from the closing date of the Offering.

On July 22, 2011, the company announced the closing of the first tranche of the private placement announced July 15, 2011. The company issued and sold 7,900,000 Units for aggregate consideration of \$1,580,000, each unit consisting of one Class A Share and one Class A Share purchase warrant. Each warrant entitling the holder to purchase one additional Class A Share in the capital of the corporation at an exercise price of \$0.30 per Class A Share to the extent such Warrant is exercised on or before the date that is 18 months from the closing.

On August 5, 2011, the company entered into a three year lease obligation for its head office located at 1120 Finch Avenue West, Toronto, Ontario, ending August 31, 2014 at an annual basic rent of \$13,116, not including utilities and other assessed levies.

On August 11, 2011, the company entered into an Executive Employment Agreement with the President and CEO of the company commencing March 1, 2011 and ending December 31, 2016, paying an annual salary of \$250,000 and a car allowance.

On August 16, 2011, the company announced that the board of directors has adopted a "rolling" employee stock option plan pursuant to which the company may issue options to eligible employees, officers, directors and consultants to purchase up to 10% of the Class A Shares in the company.

On August 16, 2011, the board of directors of the company also conditionally approved the grant of 1,750,000 options under the Option Plan, exercisable, subject to vesting, at any time during the period of five years from the date of the grant at an exercise price of \$0.20 per optioned share. Such options vest 25% on the date of the grant and in equal instalments on the next three anniversaries of the grant date.

The Option Plan and grant of options there-under is subject to regulatory approval and approval of the shareholders of the company.

On August 18, 2011, the company entered into a lease obligation for its warehouse and research facility located in Parry Sound, Ontario, for the 5 year period commencing September 1, 2011 to August 31, 2016, at an annual basic rent of \$13,386 commencing September 1, 2011, \$26,890 commencing December 1, 2011, and \$53,307 commencing April 1, 2012, not including utilities and other assessed levies.

#### **DISCLOSURE OF OUTSTANDING SHARE DATA**

The company's outstanding share capital is comprised of Class A shares, voting and participating. An unlimited number of Class A Shares is authorized. As at the date hereof 36,772,503 Class A shares were issued and outstanding.

As at this same date, the company had issued 9,420,000 warrants to acquire Class A shares all remain outstanding, - pursuant to which holders may exercise the warrants in accordance with their terms to acquire up to 9,420,000 Class A shares. Additionally, the company has issued 500,000 options that remain outstanding and 1,750,000 conditional options, which are subject to regulatory and shareholder approval, as required. Each such option entitles the holder upon exercise in accordance with its terms to acquire one Class A share.

#### **FUTURE ACCOUNTING CHANGES**

The Accounting Standards Board has confirmed that the adoption of International Financial Reporting Standards (IFRS) will be effective for interim and annual periods beginning on or after January 1, 2011, for Canadian publicly accountable enterprises.

### **FUTURE ACCOUNTING CHANGES (Continued)**

As a result, the company's audited annual financial statements for the year ending September 30, 2012 will be the first audited annual financial statements that will be prepared in compliance with IFRS. The interim financial statements for the first quarter 2012 (for the three month period ending December 31, 2011) will be prepared in accordance with IFRS and under International Accounting Standard ("IAS") 34, "Interim Financial Reporting". Both these IFRS financial statements will include reconciliations between Canadian GAAP and IFRS as required by IFRS 1, "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1").

### **ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE**

This Management's Discussion and Analysis has been prepared as at January 27, 2012. Additional information on the company is available through regular filings of press releases; financial statements and its annual information posted on SEDAR ([www.sedar.com](http://www.sedar.com)).