

IPICO Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") is prepared by management and comments on the consolidated operations and financial position of IPICO Inc. ("IPICO" or the "Company") for the third quarter ended September 30, 2008. It is supplementary information and should be read in conjunction with the unaudited interim consolidated financial statements of IPICO, including the accompanying notes and with the consolidated financial statements and corresponding notes included in the annual report for the year ended December 31, 2007 which can be found at www.sedar.com. All currency amounts in this MD&A are stated in Canadian dollars, unless otherwise indicated. The content of this MD&A along with the accompanying interim consolidated financial statements has been approved by the Board of Directors, on the recommendation of the Company's audit committee.

The financial information set forth in this MD&A has been derived from the unaudited interim consolidated financial statements of IPICO prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The date of this MD&A is November 28, 2008.

Forward Looking Statements

Except for the historical information contained herein, the discussion in this MD&A contains certain forward-looking statements that involve risks and uncertainties, such as statements of the Company's plans, objectives, strategies, expectations and intentions. The words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify such forward-looking statements. Such statements reflect the Company's views as at the date of this MD&A with respect to future events and are subject to certain risks, uncertainties and assumptions.

Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. See the "Risk Factors" section of this MD&A for more detailed information regarding these risks and uncertainties. These factors include, but are not limited to, impairment of assets, cease trade orders, continuing operations, accumulated deficit, uncertainty of future financing, potential fluctuations of financial results and management of operations. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Except as required by law, the Company does not intend, and does not assume any obligation, to update these forward looking statements.

The Company

IPICO Inc. is a Radio Frequency Identification ("RFID") solution supplier headquartered in Burlington, Canada with operations in the U.S.A., South Africa, Europe, Asia and Australia. Leveraging its IP-X air protocol, the Company designs, develops, manufactures and markets a broad range of RFID solutions, including smart labels, tags and readers targeted primarily at selected closed loop vertical industry market sectors. The common shares of IPICO Inc. trade on the TSX Venture Exchange under the symbol "RFD".

The Company's products are used in the optimization of the management of items, people, animals and processes within supply and other value chains. The Company has commenced commercial production of several of its products. Several of its other products have been tested in pilot projects and are set to commence commercial production, while still others are in the development and testing stage.

The Company has 52 employees as of September 30, 2008 down from 55 at June 30, 2008 and December 31, 2007 and up from 50 at September 30, 2007 and has offices in seven locations including Burlington (Canada),

Atlanta (USA), Valence (France), Pretoria (South Africa), Shanghai (People's Republic of China), Beijing (People's Republic of China), and Brisbane (Australia).

OVERALL PERFORMANCE

While IPICO's technology lends itself to a wide variety of viable and cost-justifiable applications, the Company has chosen a sales strategy designed to penetrate specific strategic markets that have proven to be early adopters of RFID technology. Those strategic markets consist of asset and people tracking, transportation and logistics, and supply chain management. The Company's core service line solutions targeted for these strategic markets include Electronic Vehicle Identification (EVI); Returnable Transport Items (RTI), Paper & Packaging, and Sports Timekeeping.

Revenue in the third quarter was \$701,449 compared to \$1,057,697 in the prior year quarter and although revenues were below the Company's expectations, important progress was made on several of the Company's key initiatives in and subsequent to the quarter.

The Company continued to deliver its EVI solutions in China in support of its initiative with China's National Academy of Transportation Sciences ("CNATS") to address China's demand for cost-effective traffic management systems.

In its Paper & Packaging service line, the Company launched with Sonoco Products Inc. ("Sonoco") the world's first RFID (Radio Frequency Identification) enabled core solution "ICORE" specifically designed for the paper industry and demonstrated at the Supercorr Expo in September in Atlanta Georgia. IPICO and Sonoco have developed a unique process by which IPICO's RFID technology is embedded in fiber-based cores. Sonoco is planning to use this process to produce its new Intellicore engineered carriers which are specifically designed to meet the unique needs of paper manufacturers.

Subsequent to the quarter ended September 30, 2008 the Company announced an agreement as a result of which Mondi will spin off its radio frequency identification (RFID) division into IPICO and will contract IPICO to manage and support the deployment of its paper-reel management and pallet tracking solutions into Mondi's operations for a minimum three year period. This transaction enhances IPICO's Paper & Packaging team and positions IPICO to actively deploy its unique, industry-specific product line directly to Mondi as well as other paper and packaging companies.

Subsequent, to the quarter end the Company acquired a controlling interest in the business of Mercury Sports Group, Inc. (branded IPICO Sports), its exclusive distributor for Sports timekeeping solutions. With the combined strength of both organizations, the Company looks to continue to grow its business into new markets.

The Company recorded non-cash impairment charges in the third quarter including \$5,307,098 relating to goodwill, \$1,861,830 relating to intangible assets and \$609,700 relating to accounts receivable.

RESULTS OF OPERATIONS

This section discusses the financial results of IPICO for the third quarter and nine month period ended September 30, 2008.

Revenue

Revenue for the third quarter ended September 30, 2008 was \$701,449 compared to \$1,057,697 in the third quarter of 2007. Revenue for the nine months ended September 30, 2008 was \$2,901,520 up from \$2,568,570 in the prior nine month period. The revenue declines in the quarter and increase in the nine months was largely due to Sports Timekeeping RFID tag and reader products.

Gross Margin

Gross margin for the third quarter of 2008 was \$30,603 compared to \$330,057 in the prior year quarter reflecting a non-cash inventory write-off of approximately \$230,000 in the quarter. Gross margin for the year-to-date increased to \$961,490 from \$821,265 in the prior year period. The increase largely reflects the increased contribution from royalty revenue. The gross margin as a percentage of revenue in the third quarter was 4.4% and was approximately 37% prior to the impact of the inventory write-off, in line with expectations and compares to 31.2% in the prior year quarter.

Operating Expenses

Total operating expenses for the quarter ended September 30, 2008 were \$11,406,269 compared to \$2,422,794 for the prior year quarter while total operating expenses for the year-to-date 2008 were \$17,203,229 compared to \$6,906,050 for the prior year-to-date. Total operating expenses before the impact of the non cash charges for impairment of goodwill, intangibles and accounts receivable were \$3,627,641 compared to \$2,422,794 for the prior year quarter while total operating expenses for the year-to-date 2008 were \$9,424,601 compared to \$6,906,050 for the prior year-to-date. The increases reflect the additional investment in development, sales and marketing and general and administrative functions. This includes investment in supply chain management along with increased employee related costs to support the continued commercialization of the Company's products and solutions and the achievement of its business plan.

Development costs for the quarter ended September 30, 2008 were \$1,162,193 up from \$478,951 in the prior year quarter and were \$2,197,349 for the year to date 2008 up from \$1,303,500 in the prior year-to-date. Development costs are comprised of internal development costs, which are largely engineering staff costs, and external, third party, development costs, which include costs for the certification of IPICO's RFID products. Development costs increased in the third quarter due to an increased level of activities in support of several key product development initiatives. Development costs can fluctuate from quarter to quarter depending on the timing of activities and the Company expects development costs to decrease to similar levels found in the first two quarters of 2008 as several of these key product development projects near completion.

Sales and marketing costs were \$830,634 for the third quarter and \$2,561,985 for the year to date up from \$595,831 in the prior year quarter and \$1,816,863 in the prior year-to-date as the Company increased its spending in support of the commercialization of its products. The Company expects these costs to decrease.

General and administration costs for the quarter were \$1,279,576 up from \$852,740 in the prior year quarter and \$3,564,964 for the current year-to-date up from \$2,302,727 for the prior year-to-date. General and administration costs include costs of the executive group, the finance and administrative function and the management of manufacturing and logistics and the increase reflects increases in staffing to support supply chain capabilities along with increases in other general corporate costs including stock-based compensation expense along with the start of the implementation of a new global ERP system.

The Company has initiated cost savings measures across all of its operations in light of the slower than anticipated progress in achieving its revenue targets, the overall weakened economic climate and will see the benefits over the coming quarters of its cost reduction measures.

The Company accounts for its foreign subsidiaries as integrated operations and is funding their operations and is exposed to foreign exchange risk with the South African Rand, the United States Dollar, the Australian Dollar, the Euro and the Chinese Yuan. The Company reports in Canadian dollars and therefore is exposed to foreign exchange fluctuations in its monetary assets and liabilities, working capital and revenues and expenses. With more moderate fluctuations in the values of the foreign currencies relative the Canadian dollar in the first three quarters of 2008, the Company recorded a foreign exchange gain of \$18,965 and \$22,957 in the third quarter and year-to-date respectively. This compares to a loss of \$120,344 in the prior year quarter and a loss of \$357,489 in the prior year-to-date.

The Company evaluated the carrying value of its goodwill and intangible assets at the end of the third quarter reflecting the dramatic deterioration in the overall economic climate and the decline in the Company's market value as a result of its reduced share price. This resulted in a non-cash impairment charge of \$5,307,098 writing off the carrying value of goodwill along with a \$1,861,830 non-cash impairment charge reducing the carrying value of intangible assets.

Subsequent to the end of the quarter the Company acquired a controlling interest in the business of its exclusive Sports timekeeping distributor Mercury Sports Group, Inc. (branded IPICO Sports). As a result of this non-cash transaction, IPICO will have a 70% interest in the IPICO Sports business. Although the Company continues to evaluate the allocation of the purchase price to the assets acquired and liabilities assumed, this transaction provides evidence surrounding the collectability of amounts that had been owing to the Company from past transactions with Mercury Sports Group, Inc., and the Company recorded a \$609,700 non-cash impairment of its accounts receivable balance in the third quarter ended September 30, 2008.

Amortization of intangibles was \$349,535 for the quarter ended September 30, 2008 and \$1,048,605 for the year to date which is consistent with the prior year quarter and year-to-date.

Interest expense in the third quarter of 2008 was \$38,293 compared to interest expense of \$275,587 in the prior year quarter and \$212,355 for the current year-to-date compared to \$792,306 in the prior year-to-date, largely reflecting the reduction in interest costs associated with the conversion of the \$5,500,000 convertible debenture to common shares on February 26, 2008.

Net loss

The loss from operations increased to \$11,375,666 for the quarter ended September 30, 2008 from \$2,092,737 in the prior year quarter largely reflecting the \$7,168,928 non cash impairment of goodwill and intangibles, the \$609,700 impairment in accounts receivable and increased operating expenses. Similarly, the loss from operations for the year-to-date increased to \$16,241,739 compared to \$6,084,785 for the prior year-to-date.

The lower interest expense resulted in a net loss for the quarter ended September 30, 2008 of \$11,397,299 compared with a net loss of \$2,351,664 in the prior year quarter and a net loss of \$16,404,114 for the year-to-date compared to \$6,827,111 in the prior year-to-date.

SUMMARY OF QUARTERLY RESULTS

Select Unaudited Consolidated Quarterly Financial Information

The following table presents certain unaudited consolidated quarterly financial information for each of the eight quarters ended September 30, 2008. The Company has limited operating history since March 30, 2006 and its quarterly operating results have historically fluctuated. The quarterly results may continue to fluctuate as the Company continues to successfully commercialize its product offerings and secure increase sales of its RFID solutions. The Company believes that its past operating results and period-to-period comparisons should not be relied upon as an indication of the Company's future performance.

(000's dollars except per share amounts)	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Revenue	701	1,180	1,019	602	1,058	1,010	501	343
Gross margin	31	518	412	176	330	338	153	221
Gross margin %	4	44	40	29	33	31	30	64
Total operating expenses	11,406	3,040	2,756	2,445	2,423	2,214	2,269	2,393
Total operating expenses Excluding impairment charges	3,628	3,040	2,756	2,445	2,423	2,214	2,269	2,393
Net loss	(11,397)	(2,528)	(2,479)	(2,476)	(2,352)	(2,134)	(2,341)	(2,201)
Net loss per share, basic and diluted	(0.21)	(0.05)	(0.05)	(0.06)	(0.07)	(0.07)	(0.09)	(0.09)

Revenue for the third quarter of 2008 was \$701,449 down from \$1,180,958 in the prior quarter largely reflecting a decline in sales from Sports Timekeeping. Overall the quarterly revenue increase since Q2 of 2007 is due largely to increased contribution from the Sports Timekeeping product sales.

Gross margin in the third quarter of 2008 was \$30,603 or 4.4% of revenues. Before the impact of inventory write-offs of approximately \$230,000 in the quarter the gross margin percentage was 37%. The second quarter of 2008 gross margin was \$518,950 or 43.9% of revenues up from \$411,937 or 40.4% of revenues in the first quarter. This compares to \$175,581 in the fourth quarter of 2007 or 30.6% of revenue and the increased gross margins in the first three quarters of 2008 largely reflect increased contribution from royalties. While the gross margin percentage fluctuated from quarter to quarter in 2007 it was approximately 31% for the four quarters of 2007 which is consistent with the Company's business model. During the two quarters of 2006, the Company was in the early stages of its product commercialization and experienced fluctuations in its gross margin percentage.

During the four quarters of 2007, total operating expenses continued at levels comparable to the last two quarters of 2006 and experienced some moderate fluctuations due to the timing of expenditures on trials, pilots and the continued development and certification of its RFID products. Total operating costs increased in the first two quarters of 2008 reflecting the Company's planned increased investment in product development along with supply chain and service delivery capabilities. Total operating costs, excluding the impairment of goodwill and intangibles, and the impairment in accounts receivable, increased over the second quarter of 2008 primarily due to increased activities in research and development on several key product development initiatives.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents at September 30, 2008 were \$6,660,909 down from \$7,914,550 at December 31, 2007. The decrease is largely due to the net proceeds of \$6,037,684 from the issuance of common shares and common share warrants in the first quarter being offset by the \$7,319,979 of cash used for operating activities for the three quarters ended September 30, 2008.

The working capital as at September 30, 2008 was \$8,230,596 compared with \$9,747,126 as at December 31, 2007 and the current ratio (current assets to current liabilities) was 4.2 to 1 at September 30, 2008 compared with 7.3 to 1 at December 31, 2007. The decrease in working capital of \$1,516,530 was largely due to the decrease in cash and cash equivalents of \$1,253,641 and the increased investment in accounts receivable of \$338,607 offset by the increase in accounts payable and accrued liabilities of \$950,134.

The Company's working capital and current ratio (current assets to current liabilities), including cash and cash equivalents, are summarized as follows:

	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007
Working capital	\$ 8,230,596	\$ 11,947,316	\$ 13,894,428	\$ 9,747,126
Current ratio	4.2 to 1.0	6.6 to 1.0	8.5 to 1.0	7.3 to 1.0

Note: The Company uses working capital and current ratio to enhance comparisons between periods. These terms do not have a standardized meaning under GAAP and are not necessarily comparable to similar measures presented by other companies. Working capital is calculated as the difference between current assets and current liabilities while the current ratio is calculated as current assets divided by current liabilities.

Capital expenditures, primarily related to computer equipment in the third quarter of 2008, were \$783 compared to \$9,801 in the prior year quarter.

During the nine months ended September 30, 2008, the Company incurred a net loss of \$8,625,486 prior to the \$7,168,928 non-cash impairment of goodwill and intangibles and the \$609,700 impairment in accounts

receivable (2007 - \$6,827,111) and used cash from operations of \$7,319,979 (2007 - \$6,812,909). To date, the Company has relied primarily upon the proceeds from private placements and public offerings of its common shares to fund its operations. The Company anticipates that, based on current plans and assumptions relating to its operations, including continued investment in the innovation and commercialization of its products and the investment in working capital to support the planned growth in revenue, it may require additional funding. This funding could include incurring debt and issuing additional equity securities, which could result in substantial dilution to existing shareholders. However, there can be no assurance that Company's plans will be successful and that additional funding will be available or, if available, that it will be available on acceptable terms.

Dividend payments, lease payments, interest on principal, payment on debt

On March 30, 2006, the Company completed a private placement of \$5,000,000 of Class A Preferred shares to Brookfield Technology Fund. The Class A Preferred shares have a fixed cumulative dividend per share of 5% per annum. As the preferred shares are being accounted for as debt, interest expense is recorded each quarter in respect of the cumulative dividend.

On March 30, 2006 the Company, as part of the purchase price of certain assets of iPico Holdings (Pty) Ltd., issued \$4,475,772 in a 3% per annum interest-bearing purchase debenture which matured on March 30, 2007 and was converted, by IPICO, into 4,475,772 Common Shares. As the debentures were treated as share capital, the interest expense during each quarter was treated as a dividend. The dividend accrued on the purchase debentures during the quarter ended March 31, 2007 was \$33,568 and the full dividend of \$134,273 was paid shortly after March 31, 2007.

In December 2006 the Company completed the issuance of convertible debentures of \$5,500,000 with an interest rate of 12%. As a significant portion of the convertible debenture was treated as debt, the interest is being charged to the income statement. During the first quarter of 2008 all of the outstanding debentures were converted into 6,962,024 common shares in accordance with the terms of the convertible debentures.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The Company incurred the following fees with related parties in the normal course of operations:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Legal Fees to the firm of a Company Director	\$68,989	\$43,751	\$248,949	\$202,374

On April 5, 2007, the Company advanced a loan in the amount of \$300,000 to a Director of the Company to complete the purchase of 600,000 common shares in a non-brokered private placement. The loan is secured by the shares purchased and is non-recourse and non-interest bearing. The loan is repayable as follows:

- a) \$60,000 on April 5, 2008,
- b) \$60,000 on April 5, 2009,
- c) \$60,000 if on or prior to March 30, 2009 the Company has successfully raised additional capital of no less than an aggregate of \$15,000,000 at a price per share at least equivalent to \$1.50 per share of the date of completion of such raise
- d) \$60,000 if on or prior to March 30, 2009 the 20 day weighted average closing trading price of the Company's shares on the TSXV exceeds \$2.50 per share,
- e) With the remainder due on December 31, 2011.

The terms of the share purchase also provide for the acceleration in certain events of the repayment in full of the outstanding balance of the five year term loan. In accordance with the terms of the loan \$60,000 was repaid on April 5, 2008.

SUBSEQUENT EVENT

Subsequent to the end of the quarter the Company acquired a controlling interest in the business of Mercury Sports Group, Inc. (branded IPICO Sports), the exclusive distributor of IPICO's sports timekeeping technology. As a result of this non-cash transaction, IPICO will have a 70% interest in the IPICO Sports business. The Company continues to evaluate the allocation of the purchase price to the assets acquired and liabilities assumed. Nevertheless, as this transaction provides evidence surrounding the collectability of amounts that had been owing to the Company from past transactions with Mercury Sports Group, Inc., the Company recorded a \$609,700 impairment of its accounts receivable balance in the third quarter.

RISKS AND UNCERTAINTIES

There have been no changes in the Company's business risks described in the December 31, 2007 MD&A and Annual Information Form.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2008 the Company adopted CICA Handbook Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation.

Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. The purpose is to enable users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.

Section 3862 and 3863, Financial Instruments – Disclosure and Presentation, revise and enhance disclosure and place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The adoption of the above noted standards did not have a material impact on the consolidated financial statements of the Company, other than the additional disclosures required as a result of the adoption.

On January 1, 2008 the Company adopted CICA Handbook Section 3031, Inventories, which prescribes disclosure and presentation requirements. This new section limits the choices available to calculate carrying values and provides new disclosure requirements. These changes did not have a significant impact on the Company's financial position, earnings or cash flows.

Inventories of raw materials and finished goods are stated at the lower of cost and net realizable value with cost being determined by the first-in, first-out ("FIFO") method with cost including direct costs of materials, labour and indirect costs (variable and fixed). Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs for sale and distribution.

Impact of recently issued accounting pronouncements

In February 2008, the CICA approved Handbook Section 3064 Goodwill and Intangible Assets, replacing previous guidance. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to their initial recognition. Standards concerning goodwill are unchanged. This new standard is applicable to fiscal years beginning on or after October 1, 2008. The Company is evaluating the impact of the new section on the consolidated financial statements.

SUMMARY OF OUTSTANDING SHARE DATA

	September 30, 2008	December 31, 2007	December 31, 2006
Number of common shares	54,832,066	41,851,561	24,633,136
Number of preferred shares	5,000,000	5,000,000	5,000,000
Closing common share price	\$ 0.17	\$ 1.64	\$ 0.75

Authorized

Unlimited number of common shares, voting

Unlimited number of 5% cumulative redeemable convertible Class A preferred shares, voting

During the third quarter ended September 30, 2008 no stock options were granted and 174,168 stock options were forfeited.

Subsequent to September 30, 2008, 286,456 exchangeable shares of IPICO South Africa were converted into 286,456 common shares of IPICO Inc.

As of November 28, 2008, the Company had 55,118,522 common shares, 14,430,990 warrants, 2,309,106 exchangeable shares of IPICO South Africa (Pty) Ltd. and 3,495,832 stock options outstanding. The Company also has 5,000,000 of 5% cumulative redeemable convertible Class A preferred shares.

Internal Controls over Financial Reporting

There have been no substantive changes in the Company's internal controls over financial reporting during the most recent quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.