

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, 2009. 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, 2008 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 19, 2009.

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 & Uncertainties" 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 the 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 established a number of offices around the world to service its primary geographical markets, including Burlington (Canada), Peoria (USA), Vienna (Austria), Pretoria (South Africa), Shanghai

(People's Republic of China), and Brisbane (Australia). The Company had 41 employees as of September 30, 2009 down from 55 at December 31, 2008 due to staff reductions implemented as part of the cost-savings measures.

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 solutions targeted for these strategic markets include Electronic Vehicle Identification (EVI) and Rail; Returnable Transport Items (RTI), Paper & Packaging, and Sports Timekeeping.

The Company focused in the third quarter of 2009 on its core solutions and key strategic customer initiatives and the highlights for the third quarter of 2009 were:

- Revenues increased to \$2,003,253 compared to \$701,449 in the prior year quarter, an increase of \$1,301,804 or 186% while the Company continued to implement cost savings measures along with strict cash management.
- The Company entered into a strategic relationship with International Road Dynamics Inc. (TSX: IRD) under which IRD will have the exclusive right to market and sell IPICO's range of Electronic Vehicle Identification (EVI) Radio Frequency Identification Device (RFID) systems throughout Mexico, Central and South America. Under this agreement IRD will also be IPICO's preferred distributor in India and certain other countries in the Indian Subcontinent, West Africa and Nigeria. IPICO's EVI products will be offered by IRD in order to expand and diversify their own road and vehicle management solutions within certain international markets in which IRD has already established a strong presence.
- The Company entered into a definitive agreement with CATS LUHAI (Beijing) Investment Co., Ltd. (CATS LUHAI) to form a joint venture company in the People's Republic of China for the purpose of the implementation and management of an advanced integrated nation-wide electronic (RFID) motor vehicle identification and registration, route identification and toll collection program throughout China. CATS LUHAI is a subsidiary of the China Academy of Transportation Sciences (CATS), an agency of the Chinese national Ministry of Transport with general responsibility for all aspects of transportation management. This joint venture agreement flows from the final selection by CATS of IPICO's UHF RFID Electronic Vehicle Identification (EVI) technology. China has an extensive network of over 63,000 kilometers of national, provincial and local highways, most of which are already subject to an older patchwork of manual toll collection concessions. There are at present over 56 million motor vehicles in China.
- The Company entered into a definitive agreement with CATS LUHAI (Beijing) Investment Co., Ltd. to complete a non-brokered \$10 million private placement of common shares of IPICO at the price of \$0.25 per share subject to shareholder approval and other customary closing conditions. The Company also completed a non-brokered private placement of convertible secured debentures ("debenture") for gross proceeds of \$3,500,000 as bridge funding pending completion of the private placement.

RESULTS OF OPERATIONS

This section discusses the financial results of IPICO for the third quarter ended September 30, 2009.

Revenue

Revenue for the third quarter ended September 30, 2009 was \$2,003,253 compared to \$701,449 in the third quarter of 2008, an increase of \$1,301,804 or 186%. The increase was largely due to the shipments of the Company's RTI products along with an increase in Sports timekeeping revenues. The RTI sales are in support of the CHEP New Zealand project where the Company's passive Dual Frequency RFID technology is being integrated in CHEP's new, managed, foldable returnable packaging solutions across New Zealand.

Revenue for the nine months ended September 30, 2009 was \$5,671,964 up from \$2,901,520 in the prior nine month period ending September 30, 2008, an increase of \$2,770,444 or 95% with the increase also reflecting increased sales of the Company's Sports Timekeeping and RTI products.

Gross Margin

Gross margin for the third quarter of 2009 was \$595,958 or 30% of revenues. The higher Sports Timekeeping margins were offset by lower margins associated with the initial sales of the Company's RTI products. This compares to gross margin of \$30,603 or 4% of revenues in the prior year quarter which included a non cash inventory write-off of approximately \$230,000.

Gross margin for the nine months ended September 30, 2009 was \$1,967,839 or 35% of revenues, up from \$961,490 or 33% of revenues in the prior nine month period ending September 30, 2008 reflecting the increased revenues.

Operating Expenses

Total operating expenses for the quarter ended September 30, 2009 were \$2,372,760 compared to \$11,406,269 in the prior year quarter. The prior year quarter included non cash impairment charges totaling \$7,778,628 and before the impact of these non cash charges total operating expenses were \$3,627,641. For the nine month period ending September 30, 2009 total operating expenses were \$8,469,690 which included non cash stock based compensation charges of \$313,960 related to the release of shares held by a trust during the second quarter. Total operating expenses for the prior nine month period ending September 30, 2008 were \$17,203,229 which included the non cash impairment charges. Before the impact of these non cash charges total operating expenses for nine month period ended September 30, 2009 were \$8,155,730, down from \$9,424,601 in the prior nine month period ending September 30, 2008. The benefits of cost savings measures continued to be realized in the third quarter and more than offset the increased operating costs associated with the Company's exclusive Sports Timekeeping distributor acquired in the fourth quarter of 2008. The benefits of the ongoing cost savings measures being implemented across all of the Company's operations which include staff retrenchments, reduced spending including reductions to senior management compensation and tight cost control, will continue to be realized in the coming quarters.

Development costs for the quarter ended September 30, 2009 were \$376,784 compared to \$1,162,193 in the prior year quarter and were \$1,728,797 for the nine months ended September 30, 2009 compared to \$2,197,349 in the prior nine month period ending September 30, 2008. Development costs comprised of internal development costs, which are largely engineering staff costs, and external, third party, development costs, which include costs for certification of IPICO's RFID products and can fluctuate from quarter to quarter depending on the level of activities. Development costs decreased in the quarter over the previous quarters due to cost savings measures along with the timing of some planned activities shifting to the fourth quarter.

Sales and marketing costs were \$754,773 for the third quarter down from \$830,634 in the prior year quarter and \$2,537,371 for the nine months ended September 30, 2009 compared to \$2,561,985 in the prior nine month period ending September 30, 2008. Savings realized as part of cost reduction measures were offset by the sales and marketing costs associated with the recently acquired exclusive Sport Timekeeping distributor.

General and administration costs for the third quarter were \$842,521 compared to \$1,279,576 in the prior year quarter. General and administration costs were \$3,155,001 for the nine month period ending September 30, 2009 and prior the non cash stock based compensation charge of \$313,960 recorded in the second quarter were 2,841,041. This compares with \$3,564,964 for the prior nine month period ending September 30, 2008 where there was no such compensation charge. General and administration costs include costs of the executive group, the finance and administrative function and supply chain management and the reductions reflect the impact of cost savings 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 the general devaluation of the foreign currencies relative to the Canadian dollar in the third quarter of 2009, the Company recorded a foreign exchange loss of \$100,551 compared to a gain of \$18,965 in the prior year quarter and a foreign exchange loss of \$128,230 for the nine month period ending September 30, 2009 compared to a gain of \$22,957 in the prior nine month period ending September 30, 2008.

Amortization of intangibles was \$279,787 for the quarter ended September 30, 2009 and \$854,737 for the nine month period ending September 30, 2009. This compares with \$349,535 for the prior year quarter ended September 30, 2008 and \$1,048,605 for the nine months ended September 30, 2008, the decrease reflecting the intangible impairment charge taken in the third quarter of 2008.

Finance cost in the third quarter of 2009 was \$394,467 which included the transaction costs expensed in the quarter of \$256,600 related to the debenture financing and compares to finance cost of \$38,293 in the prior year quarter. Finance cost for the nine month period ending September 30, 2009 was \$567,940 compared to \$212,355 in the prior nine month period ending September 30, 2008 which largely reflects the transaction costs on the financing as the reduction in interest costs associated with the conversion of the \$5,500,000 convertible debenture to common shares on February 26, 2008 was offset by lower interest income associated with lower average cash investments.

Net loss

The loss from operations was \$1,776,802 for the quarter ended September 30, 2009 compared to \$11,375,666 in the prior year quarter. The prior year quarter included non cash impairment charges totaling \$7,778,628 and before the impact of these non cash charges the loss from operations was \$3,597,038. The loss from operations for the nine month period ended September 30, 2009 was \$6,501,851 which included a non cash stock based compensation charges of \$313,960. This compares to the prior nine month period ending September 30, 2008 loss of \$16,241,739 which included the non cash impairment charges. Before the impact of the non cash stock based compensation charges and impairment charges, the loss from operations for the nine months ended September 30, 2009 was \$6,187,891 compared to \$8,463,111 for the prior year to date reflecting the increased revenues and related gross margins and lower total operating expenses.

The net loss for the quarter ended September 30, 2009 was \$2,154,609 compared to the prior year quarter net loss of \$11,397,299 which included the non cash impairment charges. The net loss was \$7,019,811 for the nine months ended September 30, 2009 and \$6,705,851 prior to the stock based compensation charge. The prior nine month period ending September 30, 2008 loss was \$16,404,114 and prior the non cash impairment charges was \$8,625,486 and the decrease in the current nine month period ending September 30, 2008 net loss reflects the increased revenues and gross margins and lower total operating expenses.

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 ending September 30, 2009. 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 increased 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	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2009	2009	2009	2008	2008	2008	2008	2007
Revenue	2,003	1,806	1,863	983	702	1,181	1,019	602
Gross margin	596	483	889	550	31	518	412	176
Gross margin %	30	27	48	56	4	44	40	29
Total operating expenses	2,373	3,148	2,948	2,347	11,406	3,040	2,756	2,445
Total operating expenses Excluding impairment charges ⁽¹⁾	2,373	3,148	2,948	2,347	3,627	3,040	2,756	2,445
Net loss	(2,155)	(2,738)	(2,127)	(1,855)	(11,397)	(2,528)	(2,479)	(2,476)
Net loss per share, basic and diluted	(0.04)	(0.05)	(0.04)	(0.04)	(0.21)	(0.05)	(0.05)	(0.06)

(1) Impairment charges relating to intangible assets and goodwill

Revenues for the third quarter of 2009 were \$2,003,253 up from the second quarter of \$1,806,018 reflecting increased Sports Timekeeping revenues. Revenues for the second quarter of 2009 were comparable to the first quarter of 2009 and up over the fourth quarter of 2008 due to increased Sports Timekeeping revenues and revenues from the initial shipments of the Company's RTI products which began in the second quarter of 2009. Revenue for the fourth quarter of 2008 was \$983,821 comparable with the first and second quarter of 2008 while the third quarter of 2008 was negatively impacted by a decline in sales from Sports Timekeeping but increased in the fourth quarter with the completion of the acquisition of the Company's exclusive Sports Timekeeping distributor. Revenues for the first quarter of 2008 increased over the fourth quarter of 2007 as product shipments can be slower in the fourth quarter of the year.

Gross margin for the third quarter of 2009 was \$595,958 or 30% of revenues compared \$483,313 or 27% of revenues in the second quarter of 2009 largely reflecting higher Sports Timekeeping revenues. The higher gross margins as a percentage of sales from Sports Timekeeping were offset by lower margins associated with the initial sales of the Company's RTI products. Gross margin in the first quarter of 2009 was \$888,568 or 48% of revenues benefiting from the higher Sports Timekeeping revenues and related higher gross margins. Similarly, gross margin in the fourth quarter of 2008 was \$549,847 or 56% and reflected the increased gross margin from Sports Timekeeping products as a result of the acquisition in the fourth quarter of 2008. Gross margin for the third quarter of 2008 was \$30,603 or 4% of revenues and before the impact of inventory write-offs of approximately \$230,000 in the third quarter of 2008, the gross margin percentage was 37%. The second quarter of 2008 gross margin was \$518,950 or 44% of revenues up from \$411,937 or 40% of revenues in the first quarter. This increase over the gross margin of \$175,581 in the fourth quarter of 2007 or 29% of revenue is largely due to focused efforts on improving product margins along with the positive impact of the Sports Timekeeping products and royalties.

Total operating expenses for the third quarter ended September 30, 2009 were \$2,372,760 down from \$3,148,109, or 2,834,149 prior the impact of the stock based compensation charges in the second quarter of 2009 and down from \$2,948,821 in the first quarter of 2009 reflecting the impact of the Company's cost savings measures. Total operating costs for the quarters of 2009 and the fourth quarter of 2008 include the additional operating costs associated with the Company's exclusive Sports Timekeeping distributor acquired in the fourth quarter of 2008 and were lower than the prior year quarters as a result of cost savings measures. Total operating costs, excluding impairment charges increased in each of the first three quarters of 2008 over

the fourth quarter of 2007 reflecting the Company's planned increased investment in product development and commercialization along with supply chain and service delivery capabilities. The large reduction in the total operating costs in the fourth quarter of 2008 was largely a result of the reduction in costs in development and general and administration which included the favourable impact of the discontinuance of the Company's bonus compensation plans. The increase in the third quarter of 2008 over the second quarter of 2008 was primarily due to increased activities in research and development on several key product development initiatives. The Company expects total operating costs to decrease in the coming quarters.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents at September 30, 2009 were \$3,169,441 compared with \$4,371,557 at December 31, 2008 with the decrease due to the cash used for operating activities for the nine month period ending September 30, 2009 of \$4,521,028, which was down from \$7,319,979 in the prior year nine month period ending September 30, 2008, offset by the net proceeds from the \$3.5 million debenture financing completed during the third quarter.

The working capital as at September 30, 2009 was \$4,803,533 compared with \$6,765,469 as at December 31, 2008 and the current ratio (current assets to current liabilities) was 3.4 to 1 at September 30, 2009 compared with 4.6 to 1 at December 31, 2008. The decrease in working capital was largely due to the decrease in cash and cash equivalents of \$1,202,116 along with a decrease in inventory of \$930,568.

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

	September 30, 2009	December 31, 2008
Working capital	\$ 4,803,533	\$ 6,765,469
Current ratio	3.4 to 1.0	4.6 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.

There were no capital expenditures in the third quarter of 2009 or the nine month period ending September 30, 2009 compared with none in the prior year quarter and \$31,346 in the prior nine month period ending September 30, 2008. Capital expenditures primarily relate to computer equipment.

During the nine months ended September 30, 2009, the Company incurred a net loss of \$7,019,811 and used cash from operations of \$4,521,028. 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 may require additional funding 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. During the quarter, the Company entered into a definitive agreement with CATS LUHAI (Beijing) Investment Co., Ltd. to complete a non-brokered \$10 million private placement of common shares of IPICO at the price of \$0.25 per share subject to shareholder approval and other customary closing conditions. The Company also completed a non-brokered private placement of convertible secured debentures for gross proceeds of \$3,500,000 as bridge funding pending completion of the private placement. However, there can be no assurance that the 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.

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 is being 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.

On September 11, 2009 the Company completed the issuance of convertible debentures for gross proceeds of \$3,500,000 with an interest rate of 12%. As a significant portion of the convertible debenture is being treated as debt, the interest is being charged to the income statement. The debentures are secured, bear interest at a rate of 12% per annum, payable upon maturity or earlier repayment, mature on the second anniversary of closing, and are convertible at the option of the holder into common shares of IPICO at a price of \$0.25 per share.

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,	
	2009	2008	2009	2008
Legal Fees to the firm of a Company Director	\$106,169	\$68,989	\$233,512	\$248,949

The Company has a share purchase loan outstanding in the amount of \$240,000 to a Director of the Company secured by the shares and the loan is non-recourse and non-interest bearing. The loan is repayable as follows:

- a) \$60,000 on April 5, 2010,
- b) With the remainder due on December 31, 2011.

The terms of the share purchase loan also provide for the acceleration in certain events of the repayment in full of the outstanding balance of the five year term loan.

RISKS AND UNCERTAINTIES

There have been no changes in the Company's business risks described in the December 31, 2008 MD&A.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2009 the Company adopted the new CICA Handbook Section 3064 Goodwill and Intangible Assets. 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. The adoption of this new standard had no impact on the Company's financial statements.

International Financial Reporting Standards

The Canadian Institute of Chartered Accountants (CICA) has announced that Canadian GAAP for publicly accountable enterprise companies will be replaced with International Financial Reporting Standards (IFRS) over a transition period expected to end in 2011. The Company will begin reporting financial statements in accordance with IFRS on January 1, 2011. The Company has begun planning the transition to IFRS and during 2008, carried out a diagnostic evaluation of all financial statement elements that would be impacted by the implementation of IFRS. The preliminary evaluation of the elements that will be impacted the most by the

implementation of IFRS are foreign currency translation and stock based compensation although the impact has not been quantified. The impact of the implementation of IFRS on the Company's information systems, internal control over financial reporting, disclosure controls and procedures or business activities such as capital requirements or compensation arrangements have not been determined at this time.

SUMMARY OF OUTSTANDING SHARE DATA

	November 19, 2009	September 30, 2009	December 31, 2008
Number of common shares	55,571,165	55,571,165	54,553,718
Number of preferred Shares	5,000,000	5,000,000	5,000,000
Closing common share price	\$0.21	\$0.19	\$0.075

Authorized

Unlimited number of common shares, voting

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

The common shares issued included 3,249,000 common shares held by a trust set up by IPICO to provide incentives to key employees. During the second quarter ended June 30, 2009, 1,207,537 shares were released from the trust and the Company recorded a stock based compensation expense in the amount of \$313,960 (2008 - \$0) in accordance with CICA Handbook Section 3870 – Stock Based Compensation and Other-Stock-Based Payments, while 1,856,463 were forfeited, returned to treasury and cancelled. The remaining 185,000 common shares remain in the trust and will not be voted until they are allocated and transferred to the employees.

During the third quarter ended September 30, 2009 no stock options were granted and 245,833 options forfeited.

During the third quarter ended September 30, 2009, the Company released two shareholders of the Company from any obligation to surrender to the Company for cancellation 1,248,750 common shares each pursuant to the terms of an agreement which predated the listing of the shares of the Corporation on the TSX Venture Exchange and the shareholders agreed to a standstill on trading of these shares until December 31, 2009.

The Company also adopted a Shareholder Rights Plan designed to ensure that all shareholders receive equal treatment and to maximize shareholder value in the event of a take-over bid or other acquisition that could lead to the change in control of the Company. The Shareholder Rights Plan was ratified by the shareholders and will continue in effect until the earlier of the termination time, as defined in the Shareholder Rights Plan, or the date upon which the annual meeting of the shareholders of the Company terminates in 2012.

As of November 19, 2009, the Company has 55,571,165 common shares outstanding, 19,562,633 warrants outstanding and 4,670,833 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, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.