

A copy of this preliminary short form prospectus has been filed with the securities authorities in each of the provinces of Canada other than Québec but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws. Accordingly, subject to certain exceptions, these securities may not be offered or sold within the United States of America and this short form prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of these securities within the United States of America. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of IPICO Inc., Harvester Road, Burlington, Ontario L7L 4X2, Telephone (905) 631-6310, and are also available electronically at [www.sedar.com](http://www.sedar.com).

## PRELIMINARY SHORT FORM PROSPECTUS

New Issue

January 31, 2008

### IPICO INC.

Cdn.\$●  
(● Units)

This short form prospectus qualifies the distribution (the "Offering") of an aggregate of ● units ("Units") of IPICO Inc. (the "Company") at a price of Cdn.\$● per Unit (the "Offering Price") for gross proceeds of Cdn.\$●. Each Unit consists of one common share of the Company (a "Unit Share") and one common share purchase warrant. Each common share purchase warrant (a "Warrant") will entitle the holder thereof to acquire one common share of the Company (a "Warrant Share") at a price of Cdn.\$● per Warrant Share for a period of ● months after its date of issuance. Unless the context otherwise requires, references to "Unit Shares" and "Warrant Shares" include all of the Unit Shares and Warrant Shares offered and/or qualified hereunder (including those issuable on the exercise of the Over-Allotment Option or the Warrants underlying the same, as defined below) and references to "Common Shares" include all of the common shares of the Company.

The Units will be offered pursuant to an underwriting agreement to be dated on or about February ●, 2008 (the "Underwriting Agreement") between Wellington West Capital Markets Inc. and Desjardins Securities Inc. (collectively, the "Underwriters") and the Company. The Offering Price was determined by negotiation between the Company and the Underwriters. The Units will be separable into Common Shares and Warrants immediately following the closing of the Offering. The Company has granted the Underwriters an option (the "Over-Allotment Option") to cover over-allotments, if any, and for market stabilization purposes, exercisable in whole or in part in the sole discretion of the Underwriters at any time up to 30 days after the closing of the Offering, to purchase additional Units (the "Over-Allotment Units") and/or additional Warrants (the "Over-Allotment Warrants" and together with the Over-Allotment Units, the "Over-Allotment Securities"). The purchase price for one Over-Allotment Unit is Cdn\$● and the purchase price for each Over-Allotment Warrant is Cdn\$●. The aggregate number of Common Shares and Warrants issuable on exercise of the Over-Allotment Option shall not exceed ● Common Shares and ● Warrants, respectively. Unless the context otherwise requires, references herein to "Offering", "Units", "Common Shares" and "Warrants" assumes the exercise of the Over-Allotment Option. See "Plan of Distribution"

**Investing in the Company's securities involves a high degree of risk. Prospective investors should consider the risk factors described under "Risk Factors" before purchasing Units.**

	Price: Cdn.\$● per Unit		Net Proceeds to the Company <sup>(2)</sup>
	Price to Public	Underwriters' Fee <sup>(1)</sup>	
Per Unit	Cdn.\$●	Cdn.\$●	Cdn.\$●
Total <sup>(3)</sup>	Cdn.\$●	Cdn.\$●	Cdn.\$●

- (1) In consideration of the services rendered by the Underwriters in connection with the Offering, the Company has agreed to pay a cash fee to the Underwriters equal to 6% of the gross proceeds raised in the Offering (the “**Underwriters’ Fee**”). See “Plan of Distribution”.
- (2) After deducting the Underwriters’ Fee and the expenses of the Offering, which are estimated to be Cdn.\$● for the Company.
- (3) If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters’ Fee and the net proceeds to the Company will be Cdn.\$●, Cdn.\$● and Cdn.\$●, respectively. This short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Over-Allotment Securities issued upon exercise of the Over-Allotment Option. See “Plan of Distribution”.

<b>Underwriters’ Position</b>	<b>Maximum Size or Number of Securities Held</b>	<b>Exercise Period</b>	<b>Exercise Price</b>
Over-Allotment Option	● Over-Allotment Units	30 days following closing of the Offering	Cdn.\$●
Total Securities under option	● Over-Allotment Units	30 days following closing of the Offering	Cdn.\$●

The Underwriters, as principals, conditionally offer the Units qualified by this short form prospectus, subject to prior sale, if, as and when issued and sold by the Company and delivered to and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Company by Fasken Martineau DuMoulin LLP, and on behalf of the Underwriters by Heenan Blaikie LLP. See “Plan of Distribution”.

Subject to applicable law, the Underwriters, as principals, may conditionally offer the Units on an exempt basis to residents of the United States of America, and other jurisdictions.

Subject to applicable laws and in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See “Plan of Distribution”.

The closing date of the Offering (the “**Closing Date**”) is expected to be on or about February 14, 2008 or such other date as may be agreed upon by the Company and the Underwriters, subject to the conditions stipulated in the Underwriting Agreement. Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Book entry only certificates representing the Unit Shares and Warrants hereunder will be issued in registered form only to the CDS Clearing and Depository Services Inc. (“**CDS**”) or its nominee and will be deposited with CDS on the closing of this Offering. Unless a share certificate is specifically requested by a purchaser, a purchaser of Units will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Unit Shares and Warrants are purchased.

The outstanding common shares of the Company are listed for trading on the TSX Venture Exchange (“**TSXV**”) under the symbol “RFD”. On January 30, 2008, the last trading day before the announcement of the Offering, the closing price of the Company’s common shares on the TSXV was \$1.35 per share. The Company has applied to list the Unit Shares (including the Unit Shares underlying the Over-Allotment Securities) and the Warrant Shares underlying the Warrants (including Warrant Shares underlying the Warrants underlying the Over-Allotment Securities) on the TSXV at the closing of the Offering. Listing of the Unit Shares and Warrant Shares will be subject to the Company fulfilling all of the requirements of the TSXV.

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### CURRENCY AND EXCHANGE RATES

The Company's financial statements are presented in Canadian dollars, but the Company earns revenues and incurs expenses in several currencies, including United States dollars ("US dollars" or "US\$"), Australian dollars ("A\$"), Euros ("€"), South African rand ("ZAR") and Chinese renminbi ("RMB"). All references to "dollars" and "\$" herein are expressed in Canadian dollars (also referred to as "Canadian dollars" or "Cdn.\$") unless specifically stated otherwise. As at January 30, 2008, the noon (EST) buying rates for the currencies in which the Company operates, as reported by the Bank of Canada, were as set forth in the following table.

US\$1.00 = Cdn.\$0.9937	Cdn.\$1.00 = US\$1.0063
A\$1.00 = Cdn.\$0.8837	Cdn.\$1.00 = A\$1.1316
€1.00 = Cdn.\$1.4688	Cdn.\$1.00 = €0.6808
ZAR1.00 = Cdn.\$0.1359	Cdn.\$1.00 = ZAR7.3584
RMB1.00 = Cdn.\$0.1382	Cdn.\$1.00 = RMB7.2359

### DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commissions in Alberta, British Columbia, and Ontario are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

- Annual Information Form of the Company (the "AIF") dated August 23, 2007 for the year ended December 31, 2006;
- Audited consolidated financial statements of the Company and the notes thereto as at December 31, 2006 and 2005, together with the auditors' report on the consolidated financial statements of the Company as at December 31, 2006;
- Management's Discussion and Analysis for the fiscal year ended December 31, 2006;
- Audited consolidated financial statements of the Company's predecessor Anitech Enterprises Inc. and the notes thereto as at December 31, 2005, together with the auditors' report thereon;

- Audited balance sheet of the Company's predecessor AMtag ID Inc. and the notes thereto as at December 31, 2005, together with the auditors' report thereon;
- Unaudited comparative interim consolidated financial Statements of the Company for the nine months ended September 30, 2007 and the notes thereto;
- Management's Discussion and Analysis for the nine months ended September 30, 2007;
- Management Information Circular of the Company dated April 30, 2007 for the annual general meeting of shareholders held on June 1, 2007;
- Material Change Report filed on January 10, 2007 announcing the appointment of Mel Steinke as the Executive Chairman of the Board of Directors effective January 1, 2007;
- Material Change Report filed on January 25, 2007 announcing the closing effective December 21, 2006 of the final \$250,000 of the \$5,500,000 non-brokered private placement of Series A convertible secured debentures announced on November 29, 2006;
- Material Change Report filed on March 15, 2007 announcing the resignation of Stephanie Ratzka as Chief Financial Officer effective March 31, 2007;
- Material Change Report filed on March 15, 2007 announcing the Company's intention to issue 600,000 common shares on a non-brokered private placement basis at a price of \$0.50 per share for gross proceeds of \$300,000;
- Material Change Report filed on April 5, 2007 announcing the conversion by the Company of 4,475,772 purchase debentures into 4,475,772 common shares;
- Material Change Report filed on April 5, 2007 announcing the closing of the non-brokered private placement of 600,000 common shares at a price of \$0.50 per share for gross proceeds of \$300,000 from Mel Steinke, the executive chairman of the Company;
- Material Change Report filed on April 12, 2007 announcing the appointment of Edward R. (Ted) Irwin as the Chief Financial Officer of the Company;
- Material Change Report filed on June 28, 2007 announcing the closing of a private placement of 4,891,715 units at a price of \$0.70 per unit for gross proceeds of \$3,424,200;
- Material Change Report filed on August 20, 2007 announcing the entering into an exclusive distribution agreement with China Academy Transportation Sciences ("CNATS"), pursuant to which CNATS is to supply the Company's Electronic Vehicle Toll and Management solution into the Chinese market; and
- Material Change Report filed on October 5, 2007 announcing the closing of a private placement of 6,956,700 units at a price of \$1.15 per unit for gross proceeds of \$8,000,205.

Material change reports (other than confidential reports), and all other documents of the type referred to above, filed by the Company with a securities commission or similar regulatory authority in Canada after the date of this short form prospectus and before completion or withdrawal of this Offering will be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document that is also incorporated or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying

or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of IPICO Inc., 4480 Harvester Road, Burlington, Ontario L7L 4X2 (Telephone (905) 631-6310), and are also available electronically on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) at [www.sedar.com](http://www.sedar.com). Neither the Company’s filings through SEDAR nor any documents on the Company’s website are incorporated by reference in this short form prospectus except as specifically set out above.

## **FORWARD LOOKING STATEMENTS**

This short form prospectus, including the documents incorporated by reference, contains or refers to certain forward-looking statements relating to but not limited to our expectations, intentions, plans and beliefs, including information as to the future financial or operating performance of the Company. Forward-looking information can often be identified by forward-looking words such as “anticipate”, “believe”, “expect”, “contemplate”, “target”, “goal”, “plan”, “intend”, “estimate”, “continue”, “budget”, “schedule”, “may” and “will” or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward looking information may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, its subsidiaries and their respective projects, government regulation, environmental risks, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company’s actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Such factors include, among others, known and unknown uncertainties and risks relating to additional funding requirements, hedging activities, research and development and related expenditures, competition and changes in the competitive landscape, intellectual property and other proprietary rights, employees and new hires, political and foreign risk, uninsurable risks, competition, production risks, environmental regulation and liability, government regulation, foreign sales and currency fluctuations, losses and write-downs, dependence on key employees, failure of plant, equipment or process to operate as anticipated, accidents and labour disputes. Investors are cautioned that forward-looking statements are not guarantees of future performance and, accordingly, investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. Forward-looking statements are made as of the date hereof, or in the case of documents incorporated by reference herein, as of the date of such document, and the Company disclaims any intent or obligation to update publicly such forward-looking statements, whether as a result of new information, future events or results or otherwise.

Readers should rely on the information contained in, or incorporated by reference into, this short form prospectus. The Company has not authorized anyone to provide different information. The Offering is not being made in any jurisdiction where it is not permitted to be made. Unless otherwise expressly provided, prospective investors should not assume that the information contained herein is accurate as of any date other than the date on the front of this short form prospectus.

The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise, except where required by law.

All subsequent written and oral forward looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Fasken Martineau LLP, counsel to the Company, and Heenan Blaikie LLP, counsel to the Underwriters, if issued on the date hereof (i) provided that the Common Shares are listed on a designated stock exchange (which currently includes the TSXV) the Common Shares, would be qualified investments under the *Income Tax Act* (Canada) (the “**Tax Act**”) for a trust governed by a registered retirement savings plan, a registered retirement income fund, a deferred

profit sharing plan, a registered education savings plans, or a registered disability savings plans (each a “Deferred Plan”), and (ii) the Warrants would be qualified investments under the Tax Act for a Deferred Plan provided that the Company deals at “arm’s length” (for the purposes of the Tax Act) with each person who is an annuitant, beneficiary, employer or subscriber, as the case may be, under the particular Deferred Plan, and further provided that the Common Shares that may be acquired upon exercise of the Warrants are qualified investments for a Deferred Plan as described above.

## THE COMPANY

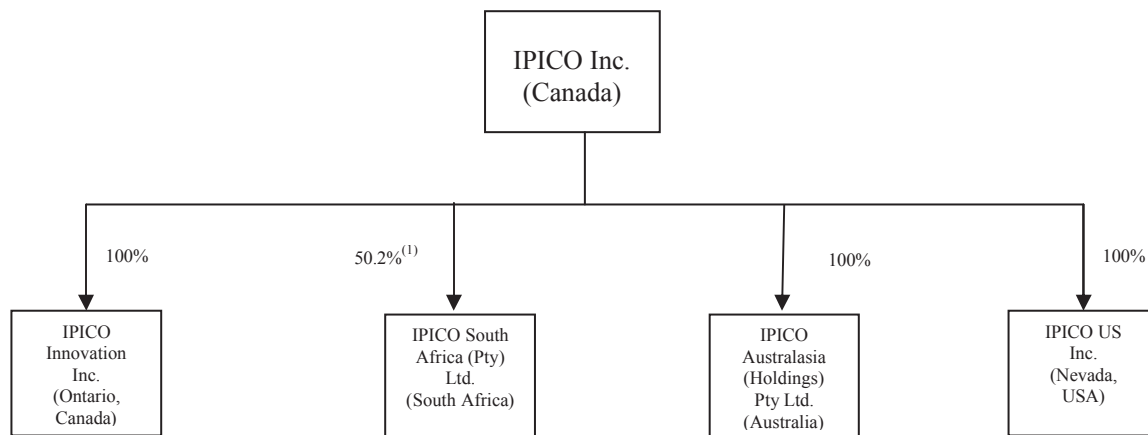
### General

The Company was formed on March 30, 2006 by the amalgamation of AMtag ID Inc. and Anitech Enterprises Inc. under the *Business Corporations Act* (Ontario). The Common Shares of the Company trade on the TSXV under the symbol “RFD”.

The Company’s registered office and Canadian headquarters is located at 4480 Harvester Road, Burlington, Ontario L7L 4X2.

### Inter-corporate Relationships

The following is a diagram of the inter-corporate relationships between the Company and its material subsidiaries:



- (1) The Company owns all of the issued and outstanding Class A preference shares of IPICO South Africa (Pty) Ltd. other than 2,873,910 voting Class A preference shares held by the shareholders of IPICO Holdings (Pty) Ltd., which shares are exchangeable in certain circumstances into the same number of common shares of the Company.

## SUMMARY DESCRIPTION OF BUSINESS

### Principal Products and Services

The Company is a Radio Frequency Identification (“**RFID**”) solution supplier headquartered in Burlington, Ontario, Canada with operations in the USA, South Africa, Europe, Asia and Australia. Utilizing its IP-X 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. These 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 for several of its products. Several other of its products have completed testing in pilot projects and are set to commence commercial production, while others are in the development and testing stage.

Generally, an RFID solution consists of three basic components: a passive tag programmed with unique information, a reader consisting of a transceiver with a decoder, and an antenna (or coil). The Company’s tags use the IP-X technology, a protocol developed by the Company. The Company's low interference readers are intended to substantially conform to regulatory requirements in most major geographical regions, and application for certification by the United States Federal Communications Commission has been or will be made in the case of most products. The Company's RFID products are designed to excel at long read range, fast multi-read anti-collision and high thru-beam read-speeds of dynamic tag populations, as well as to allow for multi-reader rollout in close proximity.

The Company's product lines currently consist of four models of dual frequency readers (short-range, long-range, mobile with Bluetooth™ connectivity, and read/write registration), four models of dual frequency tags (linear, credit card style, small industrial metal mount, and read-only ferrite inlet), three models of ultra-high frequency readers (read/write registration, long range mobile, and high performance integrated), and six models of ultra-high frequency tags (read-only, read-only ENP, read/write ENP, BIT intermodal container seal, industrial vehicle, and industrial on-metal). Dual frequency products are used in challenging environments where the tags are in close proximity to radio frequency-absorbent materials such as people, animals, vegetation, soil or fluids. Ultra-high frequency products are used in challenging environments where fast-moving tags need to be read at long distances such as for electronic vehicle identification or supply chain management.

The Company's efforts in 2006 through to January 2008 were focused on completing and validating its innovative solutions and included continued pilot engagements in support of commercialization the following products for five specific service lines:

- Electronic vehicle identification (“EVI”): The Company completed several pilot trials demonstrating the reliable high speed read rates possible with its products, enhanced its Ultra High Frequency (“UHF”) readers and developed custom designed tags for the specific requirements of this market.
- Extreme environment: The Company developed a complete portfolio of custom packaged DF readers to provide detection, monitoring, tracking and identification in extreme environments for items such as commercial explosives, industrial laundry, wool and produce.
- Container identification and security: The Company co-developed the BIT electronic container seal through technical collaboration with the E.J. Brooks Company and Tenacent. The BIT seal utilizes the Company's IP-X UHF RFID technology to verify the integrity of a shipping container in the event of possible tampering and automates collection of information on the security status of shipping containers at cross-border points of control to provide an audit trail of events from the initial sealing to the final destination.
- Paper reel tracking: The Company developed the SmartCore tracking solution using the Company's IP-X Dual Frequency (“DF”) RFID technology for an identification system which carries the identification code of a specific paper roll throughout the roll's life cycle.
- Sports timekeeping: The Company developed DF readers and tags based on its IP-X Dual Frequency RFID technology for the global sports timekeeping industry. The portfolio includes shoe, bike and other tags, as well as readers and software modules.

The Company has established a number of offices around the world to service its primary geographical markets, 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).

The Company's primary sales strategy is to work through channel partners to serve end-user customer accounts. During the initial proto-typing and pilot phases of projects, the Company is directly involved in customer projects to ensure that its standard products are properly adapted to the application environment. The Company's market strategy is to penetrate specific application markets that have been identified as early adopters of RFID technology. This strategy focuses on specific service lines with closed loop applications in defined strategic markets. The majority of business is thereafter driven by system integrators, value added re-sellers and strategic partners, collectively referred to as “channel partners”.

The Company is currently outsourcing its manufacturing to select contract manufacturers based in South Africa, Australia, Switzerland, China, Taiwan, India and France. The Company continues to evaluate its manufacturing capabilities with a view to delivering high quality goods in the increasing volumes required.

## Recent Developments

### *Management*

Since March 30, 2006 there have been several senior management function realignments and changes. Mr. Frank Anderson was Executive Chairman of the Board from March 30, 2006 until December 31, 2006, at which time he resigned as Executive Chairman, but continued as a director. Effective January 1, 2007, Mr. Mel Steinke replaced Mr. Anderson as Executive Chairman. Ms. Stephanie Ratza resigned as Chief Financial Officer effective March 31, 2007 and was replaced effective April 10, 2007 by Mr. Edward R. (Ted) Irwin.

Effective January 1, 2008, the board of directors approved a new annual incentive bonus plan for the Company's management. Members of management may receive a bonus of up to 35% of base salary (or up to 50% of base salary for the President and CEO), of which 25% is based on achieving personal objectives set for the person in question, 25% is based on business function / unit performance, and the remaining 50% is based on the Company's performance relative to its business plan. The maximum aggregate incentive bonus payable for the fiscal year ending December 31, 2008, if all of the eligible members of management reach 100% of their targets, is estimated to be \$700,000.

### *Operations*

Since the March 30, 2006, the Company has achieved a significant number of product development and strategic milestones, including the following:

- In May 2006, the Company entered into an Alliance and Development Agreement with ExploTrack, LLC (“**Explotrack**”) to develop and deploy the Integrated Global Explosives Security Platform (a global explosives tracking and monitoring system), with Explotrack running the pilot project and the Company as the exclusive supplier of RFID products and related integration services.
- In June 2006, the Company agreed to provide assistance valued at Cdn.\$300,000 for the next two years to the McMaster University RFID Applications Lab that was created in November 2006 by McMaster University with the help of several RFID industry to accelerate the RFID industry in Canada.
- In August 2006, the Company proposed to the International Standards Organization (the “**ISO**”) that its new IP-X RFID air protocol be adopted as ISO standard 18000-8. ISO is reviewing the proposal, a process that typically takes more than a year to complete.
- In September 2006, the Company commenced four pilot projects in China with the China RFID Alliance for EVI, container identification and security, logistics and production process control and animal identification applications.
- In September 2006, the passive RFID electronic toll collection system co-developed by the Company and Dyna Group was put into commercial operation on the Neuquén-Cipoletti Bridge in southern Argentina's Neuquén Province.
- In December 2006, Mondi Technology SA (“**Mondi**”), a subsidiary of Anglo-American PLC, deployed the SmartCore paper reel tracking solution jointly developed by the Company, Mondi and Escada RFID Ltd. (“**Escada**”) at Mondi's March Plant in the United Kingdom, the first commercial deployment of the SmartCore solution in the world.
- In December 2006, the Company entered into a strategic alliance agreement with Escada, the developer for the control and management systems software for the SmartCore paper reel tracking solution, whereby Escada will be the exclusive distributor of SmartCore in the United Kingdom, Europe, Australia and Africa, and the Company will be the exclusive distributor of SmartCore in Canada, the United States and China;
- In March 2007, the Company entered into an agreement with Mercury Sports Group Inc. (“**Mercury**”) making Mercury the exclusive global distributor of sports timekeeping solutions using the Company's

RFID technology under Mercury's "IPICO SPORTS" brand. The IPICO SPORTS timekeeping system was successfully deployed at "BolderBOULDER", one of the world's five largest running events, held in Boulder, Colorado in May, 2007, and the event organizers have agreed to use the system for the 2008 race as well. The Company's tags and technology were also successfully used in November 2007 in the Nike Americas 10k run in Mexico City and New Zealand's Watty Lake Taupo Cycle Challenge Avanti Classic bicycle race. In addition, End Results Inc., a major sports timing company in the United States, converted all of its timekeeping systems to the Company's technology in the summer of 2007.

- In March 2007, the Company introduced its affordable RFID-enabled BIT electronic container seal co-developed with the E.J. Brooks Company and Tenacent at the 5<sup>th</sup> Intermodal Africa 2007 Conference and Exhibition in Durban, South Africa.
- In June 2007, the Company entered into an exclusive partnership agreement with RFID Systèmes to supply its RFID products to RFID Systèmes for use in its people tracking solutions in the French casino industry over the next three years.
- In August 2007, the Company entered into an exclusive distribution agreement with China Academy of Transportation Sciences ("CNATS") to supply the Company's Electronic Vehicle Toll and Management solution into the Chinese market over the next three years.
- In September 2007, the Company appointed the newly established IPICO Africa (Pty) Limited ("**IPICO Africa**") as its exclusive representative for Sub-Saharan Africa. IPICO Africa was financed by a ZAR15 million investment from South Africa's leading Information and Communications Technology Group, Sahara Holdings (Pty) Ltd and Oakbay Investments (Pty) Ltd, a broad based investment company.
- In November 2007, the Company entered into a letter of intent with CHEP Australia Limited ("**CHEP Australia**"), a supplier of managed, returnable and reusable packaging solutions, for the trial and development of the Company's passive dual-frequency RFID tags in CHEP Australia's packaging solutions in the Australian and New Zealand markets.
- In December 2007, the Company entered into an agreement with Sonoco Products Co. ("**Sonoco**"), a global manufacturer of industrial and consumer packaging and provider of packaging services, to co-develop and commercialize RFID technology for Sonoco's paper making tube and core business.
- In January 2008, the Company received an initial order from its African distributor, IPICO Africa, for 600,000 UHF RFID tags for vehicle registration number plates to be deployed in South Africa.
- In January 2008, Standards South Africa, the organization responsible for setting official standards for South Africa, formally published the SANS 504 and SANS 24535 standards for electronic registration and identification of vehicles using passive RFID and RFID air interfaces that form part of Intelligent Transport Systems, in anticipation of the deployment of passive UHF RFID based systems within the South African transportation sector, for such uses as authenticating vehicle license discs and license plates, monitoring individual vehicles as part of traffic management, and free-flow electronic toll collection, among others. The Company's IP-X based UHF RFID technology is fully compliant with these standards.
- In January 2008, EM Microelectronic ("**EM**"), the semiconductor company of the Swatch Group of Marin, Switzerland, reported that it has to date shipped over 250 million Tag-Talks-Only ("**TTO**") UHF RFID chips based on the Company's IP-X technology platform co-developed with EM, demonstrating the scalability of the Company's technology. According to EM, the largest portion of these tags is used in the manufacture of intelligent labels for garment tagging in the fashion industry, including Marks & Spencer.

### *Financings*

On April 5, 2007, the Company issued 600,000 common shares in a non-brokered private placement for gross proceeds of \$300,000. In connection with this share issuance the company advanced a loan in the amount of \$300,000 to a

Director of the Company to finance this purchase. The loan is secured with the shares purchased and is non-recourse and non-interest bearing. The loan remains outstanding as of the date of this prospectus.

On June 28, 2007, the Company completed a brokered private placement of 4,891,715 units at a price of \$0.70 per unit for gross proceeds of \$3,424,200. Each unit consisted of one common share of the Company and one-half of a warrant, each whole warrant being exercisable for one common share at a price of \$0.85 per share for 18 months. In conjunction with this private placement the Company issued 244,586 common share broker warrants, each exercisable for a period of 12 months at a subscription price of \$0.70 per share.

On October 5, 2007, the Company completed a brokered private placement of 6,956,700 units at a price of \$1.15 per unit for gross proceeds of \$8,000,205. Each unit consisted of one common share of the Company and one-half of a warrant, each whole warrant being exercisable for one common share at a price of \$1.30 per share for 12 months. In conjunction with this private placement the Company issued 347,835 common share broker warrants, each exercisable for a period of 12 months at a subscription price of \$1.15 per share.

### CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company and its subsidiaries as at the dates indicated, including the expected effect of the Offering on the Company's share capital. The table should be read in conjunction with the consolidated financial statements of the Company and the related notes and management's discussion and analysis in respect of those statements that are incorporated by reference in this short form prospectus.

Designation of Security	Amount Authorized	Outstanding as at September 30, 2007	Outstanding as at September 30, 2007 after giving effect to the Offering <sup>(1)(2)(3)(4)</sup>
Common Shares <sup>(2)(3)(4)</sup>	Unlimited	\$22,154,563 (41,556,975 Common Shares)	\$● (● Common Shares)
Preferred Shares	Unlimited	\$5,391,239 (5,000,000 Preferred Shares)	\$5,391,239 (5,000,000 Preferred Shares)
Exchangeable Shares <sup>(2)</sup>	Unlimited	\$2,873,910 (2,873,910 Exchangeable Shares)	\$2,873,910 (2,873,910 Exchangeable Shares)
Series A Debentures <sup>(3)</sup>	\$5,500,000	\$5,095,224 (Debt Portion) \$435,950 (Equity Portion)	\$● (Debt Portion) \$● (Equity Portion)

- (1) This (i) assumes that an aggregate of ● Units are sold under the Offering, (ii) includes the issuance of 6,956,700 Common Shares pursuant to the private placement completed on October 5, 2007, and (iii) excludes the Over-Allotment Securities that may be issued upon the exercise of the Over-Allotment Option, the Warrants and any other options, warrants, convertible debentures, or other rights to acquire Common Shares. The net proceeds of the Offering, after deducting the Underwriters' Fee of Cdn.\$● and the estimated expenses of the Offering of Cdn.\$●, will be approximately Cdn.\$●, or US\$● at the exchange rate of Cdn.\$1.00 = US●. As at September 30, 2007, the Company had outstanding options and warrants which could result in the issuance of up to 12,520,443 additional Common Shares, as well as Exchangeable Shares and Debentures which may be converted into additional Common Shares as disclosed in notes 2 and 4, below. If the Over-Allotment Option is exercised in full, this figure will be increased by an additional ● Common Shares and \$● (after deducting the Underwriters' Fee).
- (2) The Company has reserved for issuance 2,873,910 of its Common Shares in contemplation of the exchange of any or all of the 2,873,910 Class A Preference Shares of its subsidiary, IPICO South Africa (Pty) Ltd. (the "Exchangeable Shares"). Those Class A Preference Shares are exchangeable for common shares of the Company on a one-for one basis at the option of the holder at any time, or at the option of the Company at any time after March 30, 2011.
- (3) The Company has issued and outstanding \$5,500,000 principal amount of Series A Debentures (the "Debentures"). The Debentures are secured by a general security interest over all of the assets and undertaking of the Company and its material subsidiaries, bear

interest at the rate of 12% per annum, mature on or about December 18, 2008 and are convertible into common shares of the Company automatically upon the occurrence of certain events, and otherwise at the option of the holder, at a conversion price equivalent to 75% of the twenty day weighted average market price per share at the time of conversion, subject to a minimum price of \$0.62 per share and a maximum price of \$1.50 per share. Assuming conversion of all the Debentures, the Company would be required to issue between 3,666,667 and 8,870,968 Common Shares. A copy of the trust indenture governing the Debentures may be viewed on SEDAR at [www.sedar.com](http://www.sedar.com). Pursuant to the terms of the Debentures, the holders of the Debentures agreed to convert all of the outstanding Debentures into approximately 6,962,025 Common Shares at a price of Cdn.\$0.79 per Common Share, upon the closing of this Offering.

- (4) The Company has established a management retention trust for the benefit of its management as at March 30, 2006. The trust holds 3,249,000 issued and outstanding Common Shares, which are included in the number of issued and outstanding Common Shares shown in the table. The trustees of this trust are comprised of the members of the Compensation Committee of the board of directors of the Company from time to time. The shares held in the management retention trust will not be voted. The beneficiaries will only “earn” their shares (i.e. the shares will only be released to them from the management retention trust) if the beneficiary is still a full time employee on March 30, 2009 and in most cases only upon the occurrence of certain other contingencies. The Common Shares not so earned by March 30, 2009 will be returned to treasury for cancellation on that date. A copy of the trust deed may be viewed on SEDAR at [www.sedar.com](http://www.sedar.com).

### USE OF PROCEEDS

The net proceeds to be received by the Company from the sale of the Units, after deducting the Company’s portion of the Underwriters’ Fee and the expenses of the Offering (estimated to be Cdn.\$● in total), are expected to be approximately Cdn.\$●. The net proceeds of the Offering will be used as follows:

Use	Amount Cdn.\$
Deployment of the Company’s products under existing agreements	\$●
Further development and certification of the Company’s products	\$●
Expansion of the Company’s sales and product delivery capabilities	\$●
General working capital and corporate purposes	\$●
Estimated expenses of the offering (including Underwriters’ fees)	\$●
<b>Total</b>	<b>\$●</b>

Pending the uses described above, the Company may invest all or a portion of the net proceeds in high quality short-term interest-bearing corporate or government securities.

If the Over-Allotment Option is exercised in full, the net proceeds to be received by the Company, after deducting the Underwriters’ Fee and expenses of the Offering, are expected to be Cdn.\$●. The Company intends to use the additional funds for general working capital and corporate purposes.

The Company intends to use the funds available as stated in this short form prospectus; however, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary.

### DESCRIPTION OF SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of Class A preferred shares (the “Preferred Shares”), without par value. As at January 30, 2008, the Company had 41,851,561 Common Shares and 5,000,000 Preferred Shares issued and outstanding.

Each Common Share is entitled to one vote at all meetings of shareholders. There are no provisions for exchange, conversion, exercise, redemption or retraction attached to the Common Shares. All Common Shares participate equally in any dividends declared by, and upon dissolution or winding-up of, the Company.

Subject to applicable law, each Preferred Share entitles the holder thereof to one vote at all meetings of shareholders. The Preferred Shares have a fixed cumulative dividend of 5% per annum. Each Preferred Share is convertible at any time at the option of the holder without the payment of additional consideration by the holder thereof into one common share (subject to adjustment). The Company may at any time after March 30, 2008 redeem the Preferred Shares in whole or part on payment, for each Preferred Share, of \$1.00 plus any dividends accrued but not yet paid thereon. Each holder of Preferred Shares is entitled to require the Company to redeem, at a time on or after March 30, 2011 any or all of its Preferred Shares for \$1.00 per Preferred Share redeemed plus any dividends accrued but not yet paid thereon. The Preferred Shares have other preferential rights relative to other classes of shares of the Company, including the right to repayment of the stated capital thereof and all accrued and unpaid dividends thereon upon dissolution or winding-up in priority to any distribution to the holders of common shares. The holders of Preferred Shares also have certain approval rights over debt financings proposed by the Company, and pre-emptive rights upon the issuance of common shares by the Company.

### PLAN OF DISTRIBUTION

The closing date of the Offering (the “**Closing Date**”) is expected to be on or about February 14, 2008 or such other date as may be agreed upon by the Company and the Underwriters, subject to the conditions stipulated in the Underwriting Agreement. The Units are being offered to the public in all of the provinces of Canada other than the province of Québec. Subject to applicable law, the Underwriters, as principals, may conditionally offer the Units on an exempt basis to residents of the United States of America, and other jurisdictions.

The Units are being sold at an Offering Price of Cdn.\$● per Unit. The Offering Price was negotiated among the Company and the Underwriters in the context of prevailing market conditions.

### Description of Securities Being Offered

Each Unit will separate immediately upon issuance, for no additional consideration, into one Common Share of the Company (a “**Unit Share**”) and one common share purchase warrant (a “**Warrant**”).

#### *Warrant Indenture*

The Warrants will be issued in registered form under and be governed by the terms of the common share purchase warrant indenture (the “**Warrant Indenture**”) to be dated as of the date of the closing of the Offering and to be entered into between the Company and CIBC Mellon Trust Company (the “**Warrant Indenture Trustee**”). The Company will appoint the principal transfer offices of the Warrant Indenture Trustee in Vancouver, British Columbia as the location at which Warrants may be surrendered for exercise or transfer.

The following description of the Warrants is a brief summary of their material attributes and characteristics, which does not purport to be complete, and is qualified in its entirety by reference to the provisions of the Warrant Indenture. All capitalized terms are as defined in the Warrant Indenture unless otherwise defined herein.

Each Warrant will entitle the holder thereof to acquire one common share of the Company (a “**Warrant Share**”) at a price of \$● per Warrant Share for a period of ● months after its date of issuance. The exercise price for the Warrants is payable in Canadian dollars. Warrants not exercised by their expiry date shall be void and of no effect. No fractional Common Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.

The Warrants will be transferable, subject to compliance with applicable securities laws.

In the event that the Common Shares of the Company trade on the TSX Venture Exchange (the “**TSXV**”) (or, in the event the Common Shares are no longer listed on the TSXV, on such other most senior market on which the Common Shares are listed) at a weighted-average closing price of 130% of the Warrant exercise price or more for a period of at least

20 consecutive trading days following the closing of the Offering, the Company shall be entitled to accelerate the exercise period of the Warrants to a period ending at least 30 days from the date notice of such acceleration is provided to the holders of the Warrants.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including:

- (a) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend or other distribution (other than a “dividend paid in the ordinary course”, as defined in the Warrant Indenture, or a distribution of Common Shares upon the exercise of the Warrants or pursuant to the exercise of directors’, officers’ or employee stock options granted under the Company’s stock option plans, or pursuant to the exercise of other securities of the Company which are exchangeable for or convertible into Common Shares and are outstanding as of the closing of the Offering);
- (b) the subdivision, redivision or change of the Common Shares into a greater number of shares;
- (c) the reduction, combination or consolidation of the Common Shares into a lesser number of shares;
- (d) the issuance to all or substantially all of the holders of the Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the “current market price”, as defined in the Warrant Indenture, for the Common Shares on such record date; and
- (e) the issuance or distribution to all or substantially all of the holders of the Common Shares of shares of any class other than the Common Shares, rights, options or warrants to acquire Common Shares or securities exchangeable or convertible into Common Shares or other assets of the Company, or evidences of indebtedness or cash, securities or any property or other assets.

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events: (a) reclassifications of the Common Shares; (b) consolidations, amalgamations, plans of arrangement or mergers of the Company with or into another entity (other than consolidations, amalgamations, plans of arrangement or mergers which do not result in any reclassification of the Common Shares or a change of the Common Shares into other shares); or (c) the transfer (other than to one of the Company’s subsidiaries) of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment in the exercise price or the number of Warrant Shares purchasable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would change the exercise price by at least 1% or the number of Warrant Shares purchasable upon exercise by at least one one-hundredth of a Common Share.

The Company will also covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to holders of Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Common Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date or effective date, as the case may be, of such event.

From time to time, the Company and the Warrant Indenture Trustee, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by “extraordinary resolution”, which will be defined in the Warrant Indenture as a resolution either (a) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 10% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66 2/3% of the aggregate number of all the then outstanding Warrants represented at the

meeting and voted on the poll upon such resolution or (b) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66 2/3% of the aggregate number of all the then outstanding Warrants.

### **Over-Allotment Option**

The Company has also granted the Underwriters the Over-Allotment Option, to cover over-allotments, if any, and for market stabilization purposes, exercisable in whole or in part in the sole discretion of the Underwriters at any time up to 30 days after the closing of the Offering, to purchase up to that number of additional Over-Allotment Units and/or Over-Allotment Warrants which is equal to 15% of the number of Units sold in the Offering. The purchase price for one Over-Allotment Unit is Cdn\$● and the purchase price for each Over-Allotment Warrant is Cdn\$●. The aggregate number of Common Shares and Warrants issuable on exercise of the Over-Allotment Option shall not exceed ● Common Shares and ● Warrants, respectively. Unless the context otherwise requires, references herein to “Offering”, “Units”, “Common Shares” and “Warrants” assumes the exercise of the Over-Allotment Option. If the Underwriters exercise the Over-Allotment Option in full, the number of Units issued under the Offering will be ●, the total price to the public will be Cdn.\$●, the Underwriters’ Fee will be Cdn.\$● and the net proceeds to the Company (including the Company’s portion of the expenses of the Offering, which will be paid out of the general funds of the Company) will be Cdn.\$●. This short form prospectus also qualifies the distribution of the Over-Allotment Securities issuable on exercise of the Over-Allotment Option.

### **Other Terms of the Underwriting Agreement**

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion upon the occurrence of certain stated events.

The Underwriting Agreement provides for payment by the Company of a cash fee (the “**Underwriters’ Fee**”) to the Underwriters equal to 6% of the gross proceeds raised in the Offering for various services rendered to the Company in connection with the Offering.

Pursuant to policies of certain Canadian securities regulatory authorities, the Underwriters may not, throughout the period of distribution under the Offering, bid for or purchase Common Shares for their own account or for accounts over which they exercise control or discretion. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in or raising the price of the Common Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian marketplaces administered by Market Regulation Services Inc. relating to market stabilization and passive market making activities, and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Company has agreed to indemnify the Underwriters against certain liabilities and expenses, including liabilities under applicable securities legislation in certain circumstances, or to contribute to payments the Underwriters may have to make in respect thereof.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

### **TSXV Listing**

The outstanding common shares of the Company are listed for trading on the TSXV under the symbol “RFD”. On January 30 2008, the last trading day before the announcement of the Offering, the closing price of the Company’s common shares on the TSXV was \$1.35 per share. The Company has applied to list the Unit Shares (including the Unit Shares comprising part of the Over-Allotment Units) and the Warrant Shares underlying the Warrants (including Warrant Shares underlying the Over-Allotment Warrants and the Warrants comprising part of the Over-Allotment Units) on the TSXV at closing. Listing of the Unit Shares and Warrant Shares will be subject to the Company fulfilling all of the requirements of the TSXV.

## Offering in the United States

The Units offered hereby have not been and will not be registered under the U.S. Securities Act, or the securities laws of any state, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons; except that the Underwriters may, through certain of their qualified U.S. broker-dealer affiliates, offer and sell Units to qualified institutional buyers in transactions that comply with an exemption from registration under the U.S. Securities Act provided by Rule 144A under the United States Securities Act of 1933 (the “**U.S. Securities Act**”). This short form prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Units in the United States. The Underwriters have agreed that, except in certain transactions exempt from the registration requirements of the U.S. Securities Act, they will not offer or sell within the United States or to, or for the account or benefit of, U.S. persons, the Units as part of their distribution. The Underwriters have further agreed that all offers and sales of the Units will be made in compliance with Regulation S under the U.S. Securities Act, or in compliance with an exemption from registration thereunder pursuant to Rule 144A, as described above. Unit Shares and Warrant Shares may be resold on the TSXV pursuant to Rule 904 of Regulation S under the U.S. Securities Act, which requires among other things, that neither the seller of the Units nor any person acting on its behalf is aware of the fact that: (i) the offeree or the buyer is a U.S. person; or (ii) the transaction has been pre-arranged with a buyer in the United States. Terms used in this paragraph have the meanings ascribed to them by Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of this offering, an offer or sale of the Units within the United States by any dealer, whether or not participating in this offering, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption under the U.S. Securities Act.

Certificates representing any securities which are sold in the United States or to or for the account or benefit of a U.S. person will bear a legend to the effect that the securities represented thereby are not registered under the U.S. Securities Act and may only be offered pursuant to certain exemptions from the registration requirements of the U.S. Securities Act.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Fasken Martineau DuMoulin LLP, counsel to the Company, and Heenan Blaikie LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Common Shares and Warrants comprising the Units by holders who acquire Units pursuant to this short form prospectus. This summary only applies to a holder who, for purposes of the Tax Act, is resident or deemed to be resident in Canada, holds the Common Shares and Warrants as capital property, and deals at arm’s length and is not affiliated with the Company. The Common Shares and Warrants will generally be considered capital property to a holder unless either the holder holds such Common Shares and Warrants in the course of carrying on a business of buying and selling securities or the holder has acquired the Common Shares and Warrants in a transaction or transactions considered to be an adventure in the nature of trade. The Common Shares (but not the Warrants) will generally qualify as “Canadian securities” for purposes of the irrevocable election of guaranteed capital gains treatment provided for under certain circumstances under the Tax Act. Holders considering making the election to have all Canadian securities (including Shares) owned by them deemed to be capital property should consult their own tax advisors.

This summary is not applicable to any holder who (i) is a “financial institution” (as defined in the Tax Act for purposes of the mark-to-market rules), (ii) is a “specified financial institutions” (as defined in the Tax Act), (ii) an interest in which would be a “tax shelter investment” (as defined in the Tax Act), or (iii) makes a “functional currency” reporting election under the Tax Act.

This summary is based on the current provisions of the Tax Act, the Regulations, all proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposals**”) and counsel’s understanding of the administrative and assessing practices and policies of the Canada Revenue Agency (the “**CRA**”) which have been made publicly available prior to the date hereof. No assurance can be given that the Proposals will be enacted as proposed, if at all. This summary does not take into account or anticipate any other changes in law, whether by legislative, regulatory, administrative or judicial decision or action or changes in the administrative practices of CRA, is not exhaustive of all Canadian federal income tax considerations and does not take into account other federal tax considerations or provincial, territorial or foreign income tax legislation or considerations.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Common Shares and Warrants. The income tax and other tax consequences of acquiring, holding and disposing of Common Shares and Warrants will vary according to the status of the holder, the province or provinces in which the holder resides or carries on business and, generally, the holder's own particular circumstances.

**Accordingly, the following description of income tax matters is of a general nature only and is not intended to constitute advice to any particular holder. Prospective holders should consult their own tax advisors with respect to the income tax consequences of investing in Common Shares and Warrants, based on the holder's particular circumstances.**

#### **Allocation of Cost**

Holders will be required to allocate the purchase price of the Units between the Common Shares and the Warrants on a reasonable basis in order to determine their respective costs for purposes of the Tax Act. The Company will also be required to allocate the amount received for each Unit between the Common Share and the Warrant on a reasonable basis for the purposes of the Tax Act. Counsel have been advised that the Company intends to allocate \$● to each Common Share and \$● to each Warrant. The Company believes that such allocation is reasonable, but such allocation will not be binding on the CRA or a holder.

#### **Exercise or Expiry of Warrants**

The exercise of a Warrant will not constitute a disposition of property for purposes of the Tax Act and, therefore, no gain or loss will be realized by a holder upon the exercise of a Warrant. The cost to a holder of a Warrant Share acquired upon the exercise of a Warrant will be the aggregate of the holder's adjusted cost base of the Warrant so exercised and the price paid for the Warrant Share (i.e. the exercise price of the Warrant). The adjusted cost base of the Warrant Shares acquired will be determined by averaging the cost of those Warrant Shares with the adjusted cost base (determined immediately before the acquisition of the Warrant Shares) of all other Common Shares held by the holder as capital property at the time of the acquisition.

The expiry of an unexercised Warrant will generally give rise to a capital loss equal to the adjusted cost base to the holder of the expired Warrant.

#### **Disposition of Common Shares or Warrants**

In general, a holder of a Common Share or Warrant will realize a capital gain (or capital loss) on a disposition, or a deemed disposition of such Common Share or Warrant (other than a disposition of a Warrant on the exercise thereof), equal to the amount by which the proceeds of disposition of the Common Share or Warrant, as the case may be, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Common Share or Warrant, as the case may be, to the holder.

A holder will be required to include in income one-half of the amount of any capital gain (a "**taxable capital gain**") realized in the year of a disposition and will generally be entitled to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") against taxable capital gains realized in the year of a disposition, the three preceding years or any subsequent year, to the extent and under the circumstances described in the Tax Act. In the case of a holder that is a corporation, the amount of any capital loss otherwise determined resulting from the disposition or deemed disposition of a Common Share may be reduced by the amount of dividends previously received or deemed to have been received thereon in accordance with detailed rules contained in the Tax Act in this regard. Analogous rules apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares or where a partnership or trust, of which a corporation is a member or beneficiary, itself is a member of a partnership or a beneficiary of a trust that owns Common Shares. Holders to whom these rules may be relevant should consult their own tax advisors.

A holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay, in addition to the tax otherwise payable under the Tax Act, a refundable tax of 6 2/3% of its "aggregate investment income" for the year which is defined to include taxable capital gains.

Capital gains realized by an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

## Dividends

Dividends received or deemed to be received on the Common Shares will be included in computing the holder's income. In the case of an individual holder, such dividends will be subject to the gross-up and dividend tax credit rules that apply in respect of taxable dividends received from taxable Canadian corporations (as defined in the Tax Act) including the enhanced dividend tax credit in respect of "eligible dividends" designated by the Company to a holder. There may be limitations on the ability of the Company to designate dividends as "eligible dividends". Dividends received by a corporation on the Common Shares must be included in computing its income and normally will be deductible in computing its taxable income.

Private corporations (as defined in the Tax Act) and certain other corporations controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay a 33 1/3% refundable tax under Part IV of the Tax Act on dividends to the extent such dividends are deductible in computing taxable income. This refundable tax generally will be refunded to a corporate holder at the rate of \$1 for every \$3 of taxable dividends paid while it is a private corporation.

Dividends received on the Common Shares by a holder who is an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

## INTERESTS OF EXPERTS

The following persons, firms and companies are named as having prepared or certified a statement, report or valuation in this short form prospectus, either directly or in a document incorporated by reference, and whose profession or business gives authority to the statement, report or valuation made by the person, firm or company.

Name, Firm & Location	Report
PricewaterhouseCoopers LLP, Waterloo, Ontario, Canada	Independent Auditors' Report dated March 7, 2007 in respect of the Company's audited consolidated financial statements for the fiscal year ended December 31, 2006.  Independent Auditors' Report dated April 11, 2006 in respect of the audited consolidated financial statements of the Company's predecessor Anitech Enterprises Inc. for the fiscal year ended December 31, 2005.
Mintz & Partners LLP Toronto, Ontario, Canada	Independent Auditors' Report dated January 31, 2006 in respect of the audited balance sheet of the Company's predecessor AMtag ID Inc. as at December 31, 2005.

PricewaterhouseCoopers LLP have advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

## LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon by Fasken Martineau DuMoulin LLP on behalf of the Company and by Heenan Blaikie LLP on behalf of the Underwriters. As at the date hereof, the partners and associates of Fasken Martineau DuMoulin LLP, and Heenan Blaikie LLP as a group, beneficially own, directly or indirectly, less than one percent of the outstanding Common Shares.

## RISK FACTORS

Investment in the Units is subject to risks and uncertainties. Every investor or potential investor should carefully consider the risks related to the Company's operations, the risks related to the technology industry generally and the risks related to the Offering, including the following risks:

## General Market Risks

**Market Price Volatility.** The trading price of the Company's securities may be subject to large fluctuations. The trading price of the Company's securities may increase or decrease in response to a number of events and factors, some of which are directly related to the Company's success and some of which are not directly related to the Company's success and are therefore not within the Company's control. Such events and factors include: the Company's operating performance and the performance of competitors and other similar companies, the public's reaction to the Company's press releases, other public announcements and the Company's filings with the various securities regulatory authorities, changes in earnings estimates or recommendations by research analysts who track the Company's Common Shares or the shares of other companies in the technology sector, changes in general economic conditions, the number of the Company's securities to be publicly traded after an offering, the breadth of the public market for the Company's securities, the arrival or departure of key personnel, acquisitions, strategic alliances or joint ventures involving the Company or its competitors, developments that affect the market for all technology sector shares, and the attractiveness of alternative investments.

The effect of these and other factors on the market price of the common shares on the exchanges in which the Company trades has historically made the Company's share price volatile and suggests that the Company's share price will continue to be volatile in the future. There can be no assurance that such fluctuation will not affect the price of the Company's securities after the Offering, and the market price of the Company's securities may decline below the Offering Price. As a result of this volatility, investors may not be able to sell their Common Shares or Warrants at or above the Offering Price. A decline in the market prices of the Company's securities could also impair the Company's ability to raise additional capital.

In the past, following periods of volatility in the market price of a company's securities, shareholders have often instituted class action securities litigation against those companies. Such litigation, if instituted against the Company, could result in substantial costs and diversion of management attention and resources, which could significantly harm the Company's profitability and reputation.

**Dilution.** The Company may require additional funds to fund its research, development, and commercialization programs and potential acquisitions. The Company cannot predict the size of future issuances of common shares or the issuance of debt instruments or other securities convertible into shares or the effect, if any, that future issuances and sales of the Company's securities will have on the market price of the Common Shares and Warrants. If it raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of existing shareholders. Sales of substantial amounts of the Common Shares, or the availability of such Common Shares for sale, could adversely affect the prevailing market prices for the Company's securities.

**No Dividends.** The Company has never paid cash dividends on its Common Shares. It currently intends to retain future earnings, if any, to fund the development and growth of its business, and may not pay any cash dividends on the common shares for the foreseeable future. Furthermore, the Company may in the future become subject to contractual restrictions on, or prohibitions against, the payment of dividends. As a result, investors will have to rely on capital appreciation, if any, to earn a return on their investment in Common Shares in the foreseeable future. The payment of future dividends, if any, will be reviewed periodically by the Company's board of directors and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and other factors.

## Risks Related to Our Business

**Tax Matters.** The Company believes that it is, and intends to take all necessary steps to remain, resident solely in Canada for income tax purposes. The Company's tax residency is, however, affected by a number of factors, some of which are outside of its control, including the application and interpretation of the relevant tax laws and treaties. If ever the Company were to cease to be tax resident in Canada, it would be liable to pay additional Canadian taxes, including, but not limited to, capital gains tax based on the difference between the fair market value and tax cost of its assets at the relevant time. If such taxes were to become payable, this could have a material adverse effect on the Company's business, financial condition and results of operations. Further, the income tax consequences to holders of Common Shares would be different from those applicable if the Company were resident in Canada

**Dependence on Management.** The Company's development to date has largely depended and in the future will continue to depend on the efforts of key management. Loss of any of these people could have a material adverse effect on

the Company and its business. The Company has not taken out and does not intend to take out key man insurance in respect of any directors, officer or other employees.

**Limited Operating History.** The Company has a limited operating history with its current line of products and services and accordingly a limited history from which performance can be assessed. There can be no assurance of continued market acceptance of its RFID technology solutions or that it will attain profitability. The Company cannot be certain that it will be able to successfully introduce its new line of products and services in the marketplace, realize the results contemplated by its business plan, achieve significant and sustainable operating profitability or generate sufficient cash flow to service its working capital requirements.

**Early Stage Company.** The Company has commenced commercial production for several of its products. Several other of its products have completed testing in pilot projects and are set to commence commercial production, while others are in the development and testing stage. As a result, the Company has not yet earned profits and remains subject to the risks associated with early stage companies, including start up losses, uncertainty of revenues, markets and profitability, volatile financial results and the need to raise additional funding. The Company has committed, and, for the foreseeable future, will continue to commit, significant financial resources to research, product development and commercialization. The Company must maintain a high level of research and development programs in order to achieve profitable operations and remain competitive in an emerging market. There can be no assurance that research and development programs conducted by the Company will result in commercially viable products.

**Ability to Achieve Commercialization on a Timely Basis.** The risk of failing to develop and commercialize cost-effective and reliable products on a timely basis presents one of the greatest risks for Company. The Company's success will depend, to a great extent, on its ability to achieve commercial sales of products incorporating its RFID technology on a timely basis. There can be no assurance that the Company's technology and products based on such technology will achieve commercial acceptance on a timely basis or that, if market acceptance is achieved, the Company will be able to maintain such acceptance for a significant period of time. Failure to obtain commercial sales on a timely basis would have a material adverse impact on the Company's financial condition and its ability to sustain its operations.

**Financing Risk.** The Company anticipates, based on current plans and assumptions relating to its operations, that it will need significant additional financing to continue in business. The Company is an early stage RFID solutions company with limited financial assets and consequently it will likely be unable to secure conventional debt financing. Additional equity could result in substantial dilution to shareholders. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms. If adequate funds are not available, the Company may not be able to take advantage of opportunities, develop new products or otherwise respond to competitive pressures and remain in business. The Company may be required to substantially reduce or eliminate expenditures for research and development, commercialization, certification, production and marketing of its products, or to obtain funds through arrangements with corporate partners that may require the Company to relinquish rights to certain of its technologies or products.

**Competition.** Many of the Company's current and potential competitors have longer operating histories, significantly greater financial, technical and other resources and greater name recognition than the Company does. The Company's competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements. Current and potential competitors have established, and may in the future establish, cooperative relationships with third parties and with each other to increase the availability of their products and services to the marketplace. Competitive pressures could reduce the Company's market share or require it to reduce the price of its products and services, either of which could harm its business and operating results. Communication protocols are not standardized. Various countries regulate frequencies differently. There can be no assurance that the Company's IP-X will be accepted by markets or regulators as a recognized protocol standard.

**Dependence on Proprietary Technology.** The Company is dependent upon its patents and other intellectual property rights as well as safeguarding its know-how and trade secrets. There can be no assurance that the Company's patents will provide the Company with any competitive advantages or will not be successfully challenged by third parties, or that the patents of others will not have a material adverse effect on the Company's ability to do business. There can be no assurance that others will not independently develop similar products, duplicate some or all of its products or, if patents are issued to the Company, design its products so as to circumvent the Company's patent protection. Furthermore, there can be no assurance that the confidentiality of the Company's intellectual property can be maintained or that such intellectual

property will not be independently discovered by others, or that the steps taken by the Company will prevent misappropriation of its technology, or that agreements entered into for such purpose will be enforceable.

***Dependence on Market Growth.*** Future revenue generation and profitability will depend on the adoption rate of RFID and the Company's ability to effectively respond to the changing demands of an emerging market. As with any emerging technology, adoption rates have been slow on initial introductions of technological advancements. There are a number of impediments to broader adoption of RFID technology, including: (i) the cost of implementing a fully functional RFID system which, in addition to the cost of tags, includes the cost of readers and the supporting infrastructure and software required to manage RFID data, (ii) the use of different frequencies in different geographic areas, (iii) the limited read range of low-cost tags, which makes them unsuitable for certain uses, (iv) potential inaccuracy in RFID data caused by interference from other tags and/or readers or from other wireless devices and industrial equipment, or proximity to liquid or metals, and (v) regulatory change, including changes in response to concerns regarding the privacy of consumers who have purchased tagged items.

***Dependence on Third Party Distribution.*** The Company does not have a direct sales force. The Company is focusing its current sales and marketing efforts on establishing, formalizing and maintaining long-term strategic relationships with channel partners, value added resellers and distributors. The establishment of these relationships is one of the key inputs to generating revenue growth for the Company. Should these alliances not materialize in a timely manner, this may negatively impact the Company's ability to gain market share and achieve growth targets in the future.

The Company's distribution partners may not be prohibited from offering and reselling the products and services of the Company's competitors and may choose to devote insufficient resources to marketing and supporting their services or to devote greater resources to marketing and supporting the products and services of other companies. Reliance upon third-party distribution sources also subjects the Company to the risks of the business failure of such value-added resellers and distributors, as well as credit, inventory and business concentration risks.

***Dependence on Key Employees.*** The Company's future success will depend on its ability to attract, train, retain and motivate highly skilled engineering, technical, managerial and other personnel. Competition for these personnel is intense. The Company may have difficulty hiring qualified personnel as quickly as it may require.

***Dependence on Third Party Manufacturing.*** The Company outsources the manufacturing of its products to third party contract manufacturers. If these third party manufacturers are unable to either deliver on a timely basis or produce high quality products, customer relationships and future sales orders may be adversely impacted.

***Management of Expanding Operations.*** In order for the Company to achieve the business plan, it will be required to expand its operations rapidly, which will place significant demands on the Company's managerial, operational and financial personnel and systems. There can be no assurance that the Company's systems, procedures, controls and existing facilities will be adequate to support expansion of its operations. The Company's future operating results will substantially depend on the ability of its officers and key employees to manage changing business conditions and to implement and improve its operational, financial control and reporting systems. If the Company is unable to respond to and manage changing business conditions, the quality of the Company's services, its ability to retain key personnel and its results of operations could be materially adversely affected.

***Risks in Foreign Jurisdictions.*** The Company anticipates earning a significant portion of its consolidated revenues from operations outside of Canada, and to a significant degree from operations in many developing or emerging countries. International business activities entail inherent risks such as trade barriers, political risks, embargoes, uncertainty as to the protection and use of intellectual property, the risk of increase in taxes and changes in laws and policies. By way of example, unfriendly relations between China and the United States could lead to higher tariffs on goods imported from China, or a ban on manufacturing products in China using technology which the United States deems to be important to its national security. In addition, the Company intends to continue to employ the Company's South Africa based management, research and development team, and to continue the Company's relationships with manufacturers in South Africa. As a result, the Company will also be exposed to the risk of political or economic instability in South Africa.

***Currency Risk.*** The Company anticipates that it may earn a substantial portion of its revenues in US dollars and euros, and that it will incur a significant portion of its expenses in Canadian dollars, South African rand and Australian dollars. Fluctuations in the relative values of those currencies may have a negative impact on the Company's operating results. The Company has no plans at present to enter into any foreign currency hedging or other similar arrangements.

**Product Liability.** Many of the Company's products will be critical to the operations of its clients and provide benefits that may be difficult to quantify. Any failure in a client's system could result in a claim for substantial damages against the Company by its customers, regardless of its responsibility for the failure. Although the Company maintains general product liability and errors and omissions insurance, there can be no assurance that this coverage will be sufficient to cover one or more large claims, or that the issuer will not disclaim coverage.

**Potential Intellectual Property Infringement.** While the Company believes that it currently owns all intellectual property rights used in its existing products, and those currently in development, there can be no assurance that the Company's products do not or will not infringe on intellectual property rights owned by third parties. The payment by the Company of a monetary damage award, or payment by the Company of an amount in settlement of litigation, or the inability of the Company to obtain the necessary licenses or other rights on commercially acceptable terms, or the failure of the Company to redesign its products to avoid infringement of third party intellectual rights, could have a materially adverse effect on the Company.

**Safety Risk.** RFID products emit electromagnetic radiation which, it may be argued, may result in various safety and health issues. While the Company's products only emit low levels of this radiation and operate within all safety regulatory limits, there can be no assurance that the Company's products will not become the subject of safety concerns in the future. If safety concerns were to arise in the future, this could have an adverse effect on the Company's business and results of operations.

### **Risks Related to the Offering**

**Use of Proceeds.** The Company currently intends to allocate the net proceeds received from the Offering as described under "Use of Proceeds". However, the Company will have discretion in the actual application of the net proceeds, and may elect to allocate proceeds differently from that described in "Use of Proceeds" if it believes it would be in its best interests to do so as circumstances change. The failure by the Company to apply these funds effectively could have a material adverse effect on the Company's business.

These risks, including those incorporated by reference, should be considered in the context of our business which is described under "*General Development of the Business*" and "*Description of the Business*" in the AIF. If any of the foregoing events, or other risk factor events as described in the AIF and incorporated by reference herein occur, our business, financial condition or results of operations could likely suffer. In that event, the market price of our securities could decline and investors could lose all or part of their investment.

Retail investors are advised to consult their own legal counsel and other professional advisers in order to assess income tax, legal and other aspects of this investment.

### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Accountants. The transfer agent and registrar for the Common Shares is CIBC Mellon Trust Company with its principal offices at 1600-1066 West Hastings Street, Vancouver, Canada V6E 3X1. The indenture trustee and registrar for the Company's convertible debentures is Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1.

### **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some provinces, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

## AUDITORS' CONSENT

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We have read the short form prospectus of IPICO Inc. (the “**Company**”) dated • relating to qualification for distribution of Units of the Company. Each Unit consists of one common share of the Company and one common share purchase warrant. We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Company on the consolidated balance sheet of the Company as at December 31, 2006 and the consolidated statements of operations, shareholders’ equity and cash flows for the year then ended. Our report is dated March 7, 2007.

We further consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Company on the consolidated balance sheets of the Company’s predecessor Anitech Enterprises Inc. as at December 31, 2005 and the consolidated statements of operations and deficit and cash flows for the year then ended. Our report is dated April 11, 2006.

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Chartered Accountants, Licensed Public Accountants  
Waterloo, Ontario  
Canada

## AUDITORS' CONSENT

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We have read the short form prospectus of IPICO Inc. (the “**Company**”) dated • relating to qualification for distribution of Units of the Company. Each Unit consists of one common share of the Company and one common share purchase warrant. We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of AMtag ID Inc., a predecessor of the Company, on the consolidated balance sheets of AMtag ID Inc. as at December 31, 2005. Our report is dated January 31, 2006.

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Chartered Accountants, Licensed Public Accountants  
Toronto, Ontario  
Canada

**CERTIFICATE OF THE COMPANY**

Dated: January 31, 2008

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the Provinces of Canada other than the province of Québec.

(Signed) Gordon Westwater  
President

(Signed) Edward Irwin  
Chief Financial Officer

On Behalf of the Board of Directors

(Signed) Stephen Adams  
Director

(Signed) James Penturn  
Director

**CERTIFICATE OF THE UNDERWRITERS**

Dated: January 31, 2008

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada other than the province of Québec.

WELLINGTON WEST CAPITAL MARKETS INC.

By: (Signed) Paul Rajchgod

DESJARDINS SECURITIES INC.

By: (Signed) Pierre Colas