



BioExx Specialty Proteins Ltd.
Management Discussion & Analysis

For the three and nine month periods ended
September 30, 2011

BioExx Specialty Proteins Ltd.

Headquartered in Toronto, Canada, BioExx Specialty Proteins Ltd. (the “Corporation”, the “Company” or “BioExx”) is a technology and processing company focused on the extraction of oil and high-value proteins from oilseeds for global food, beverage, nutrition, and other markets. BioExx employs trade secret, patented and patent-pending technologies that utilize significantly lower temperatures than conventional oilseed processing, in order to enable the improved separation of proteins from oilseeds. BioExx believes that these processes cumulatively have the potential to make a valuable contribution to global food and protein supply while maintaining an environmentally sustainable footprint. BioExx operates a small processing facility in Saskatoon, Saskatchewan, and has a mission to facilitate the development of additional and larger processing facilities on a global basis. The Company's shares trade on the Toronto Stock Exchange under the symbol “BXI”.

Effective Date

This MD&A is prepared as of November 14, 2011. It contains certain forward-looking statements that involve known and unknown risks and uncertainties which are beyond the control of the Corporation. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of the Corporation for the three and nine months ended September 30, 2011 which are incorporated by reference herein and form an integral part of this MD&A. Further information on the Corporation, including the Financial Statements, can be found at www.bioexx.com and at www.sedar.com.

Overall Performance

The main focus of BioExx in the third quarter of 2011 was the start-up of commercial protein operations in Saskatoon, together with the undertaking of capital improvements during plant shut-down in order to improve forward performance.

Saskatoon Plant Start-up Activities: As has been previously discussed on several occasions, the challenges of a full plant start-up with ground-breaking technology have proven to be a significant - difficult both to estimate in advance and to work through in practice. Nonetheless, the BioExx team has worked hard to overcome the difficulties of a start-up operation on multiple fronts, and is beginning to see the initial fruits of that labour.

The Company was in early-stage operations in July, while at the same time focusing on production testing programs, to better understand commercial process sensitivities, and to accelerate learning. This assisted the Company to better define the action steps

BioExx Specialty Proteins Ltd. - Management Discussion & Analysis

For the three and nine month periods ended **September 30, 2011**

required to improve and to reach its goals, or at least take the Company to the next level on the path to those goals, in advance of plant shutdown, and then to make such modifications as may be required during shutdown.

The Company re-started protein operations on October 3, just after the end of the third quarter, and as planned, spent the first few weeks ramping back up, refining the process, and driving for consistency in order to create a meaningful data set and understand trending, in order to report reliable results. Post-shutdown operating results are discussed later in this MD&A.

Protein Markets: The value of the company's technology assets, and the market potential of its products, continues to be validated through interaction with customers and potential customers. Global macro forces are pervasive, and target markets remain large and robust. Of note during the quarter, the Company attended a major annual food ingredients trade show, where it received broad, significant, and very affirming interest in its canola protein products, again confirming the uniqueness of its offering and the scope of commercial demand.

Additional Product Development and Distribution Strength: During the quarter, the Company also announced that it had concluded a Product Development and Sales License Agreement (the "Agreement") with Hormel Foods Corporation and its Century Foods International division ("Century").

Under the Agreement, which covers the United States and Canada, the companies will co-develop BioExx proteins for various new products to be manufactured and marketed by Century to the sports nutrition industry. Examples of products would include meal replacements, dietary supplements, weight-loss aids, powdered protein supplements, nutritional beverages and custom formulations.

Financial Position: The Company's balance sheet remained strong at the end of the third quarter with \$18,344,119 in cash. The Company believes that its current cash position is strong enough to facilitate the completion of its next key validation steps, without the injection of any additional or interim equity capital. It has also implemented a program to moderate its operating and capital expenditures going forward.

Saskatoon Crush Plant Operations: Per tonne processing economics in the third quarter were slightly better than in the second quarter, with seed input prices down marginally and oil and meal sale prices up marginally. Absent exogenous shocks, the Company does not expect major fluctuations from present economics through next spring. Currently, and going forward, it is the Company's intention to continue to run its crush plant at approximately current levels, in order to facilitate consistency and regularity in operations. This will continue until such time as the ramp-up of the protein plant demands higher volumes, at which time the crush plant will respond accordingly with increased production levels.

BioExx Specialty Proteins Ltd. - Management Discussion & Analysis

For the three and nine month periods ended **September 30, 2011**

Toasted Meal Development: At a business development level, the Company continued its preliminary market engagement work during the quarter, albeit as a secondary focus. The interest noted from various potential partners and licensees throughout this process has provided additional support and encouragement for continued work on this promising business opportunity. While global macro financial concerns, especially in Europe, are broadly impacting industry capital expenditure plans, the Company will continue peripherally to advance its initiatives and engagements with a view to completing its first licensing agreement in this market. This is not expected before the second quarter of 2012.

Board and Management Changes: On August 8, the Company announced that Chris Carl resigned as Chairman and Chief Executive Officer of BioExx. The Company's Chief Financial Officer, Mr. Chris Schnarr, was appointed interim CEO. After undertaking an extensive CEO search process, concurrent with the release of this MD&A, the Board of Directors has confirmed that Mr. Schnarr has been appointed Chief Executive Officer of the Company. Mr. Greg Furyk, CA, the Company's Controller since January 2009, is being appointed Chief Financial Officer.

Will Ollerhead, a member of the Company's Audit Committee and Chair of the Corporate Governance and Compensation Committee, was elected by the Company's directors as Chairman of the Board on August 8.

On August 29, the Company announced the appointment of Mr. Richard (Ric) Rumble to its Board of Directors. Mr. Rumble presently serves as the President and Chief Executive Officer of TSO3 Inc. (TSX: TOS), an innovator in low temperature sterilization systems used in health care settings. Mr. Rumble has accumulated more than 25 years experience within the North American and global medical industry. During this time he has delivered significant and sustained revenue and earnings growth, led successful new commercial strategies, and negotiated and integrated large-scale acquisitions. Mr. Rumble holds a BSc in biology and an Honours BSc in microbiology and immunology from the University of Western Ontario.

On September 30, Henry Linsert Jr. retired from the Board of Directors. After due consideration, Mr. Linsert has decided to focus his attention on his personal and local business activities, which are becoming increasingly demanding of his time.

Also subsequent to quarter end, on November 4, BioExx announced the appointment of Mr. Markus Vettiger to its Board of Directors. Mr. Vettiger is the Chief Executive Officer of Maestrani Swiss Chocolates Ltd., of Flawil, Switzerland. His more than 30-year management career includes food products industry experience in food additives, ingredients, dairy, and confectionary, in manufacturing, distribution, and marketing capacities. He brings to the Company experience in operations, change management, and negotiating co-development arrangements, partnerships, and acquisitions, along with his many and varied relationships in the food industry. He is a business graduate of the Handelsschule des Kaufmännischen Vereins Rapperswil, in Switzerland, and has completed executive programs at INSEAD, Fontainebleau, France, and in Singapore.

Update on Other Corporate Matters: Concurrent with the release of the September 30, 2011 unaudited interim consolidated financial statements and this MD&A, the Company provided a comprehensive update on a range of corporate matters, including the following:

Strategic Focus

Since its inception, the Company's strategy has been to create value by building, owning and operating its own processing plants. However, after rigorous internal and board-level strategic review and discussion, the Company believes that the best path forward, at this stage of its development, is not to over-allocate limited and high-cost capital to press for greater scale at its existing Saskatoon facility; but rather to firm up its business at current levels and then drive future growth through strong strategic partnerships, which will allow the Company to better leverage its core protein technology through the capital, infrastructure and market presence of a major strategic partner or partners. Therefore, the Company will immediately begin a formal process, through a transactional advisory firm to be selected, to execute on this strategy.

Technological Advances

As part of its on-going development and continuous improvement focus, the Company also announced a significant technological advancement, which adds to its already extensive protein separation technology portfolio.

BioExx has recently filed an additional patent for a solvent-free canola protein isolate production process, which is now being employed at the Saskatoon plant. The new patent, which was driven largely by efforts to address the constraints of the previous solvent extraction process, involves an enzyme-assisted mechanical separation and filtration process for the production of canola protein isolates. This solvent-free process is cleaner and more sustainable, and is also believed to be more robust and scalable. While it does involve a reduced rate of recovery of saleable oil, potential capital cost and operating cost reductions and higher protein sales prices are expected to provide a net economic gain. The Company will continue to look to incremental development and continuous improvement of this process, with a focus on optimization at larger scales.

As a result of this technology advancement however, as discussed in Note 25(f) to the September 20, 2011 unaudited interim consolidated financial statements, the Company has identified certain production assets which will no longer be in use. An impairment loss will be recognized on specific assets at such time that the assets qualify as held for sale or when the assets have been disposed of. In accordance with IFRS standards the Company estimates the impairment expense, which will be recognized at such time as the specific assets qualify as held for sale or have been disposed of, to be approximately \$9,500,000.

Operating Progress

Operational results have improved since completion of the recent plant shutdown and with the assistance of the move to the solvent-free process. After a period of re-start and rationalization, weekly production volumes are now three times the average production volumes prior to shutdown (approximately 1.2 metric tons versus 400 kg per week).

Simply put, the Company is putting product into the system 2 times as fast as before shutdown, getting over 1.5 times the yield, and therefore producing protein at over 3 times the pre-shutdown rate. The Company believes this is a meaningful increase in efficiency. Trending is also positive, with aggregate volumes growing at an average rate of over 30% per week since shutdown. Unfortunately, the Company has also had some challenges en route and uptime hours are relatively flat, in spite of adding an extra shift. The Company will work to improve uptime, to drive additional volume gains, together with further increases in production efficiency.

In the Company's view, perhaps even more important than production volume at this point, is product quality. Protein purity has improved, averaging 83% post-shutdown versus 80% pre-shutdown. Also, microbiological quality of the finished product has improved and is more consistent than prior to shutdown. Finally, organoleptic properties (taste, colour, smell) have also improved post-shutdown as a result of process improvements.

Going forward, the interim focus of operations will be on quality and consistency, based substantially on existing infrastructure. While the Company will continue to seek low cost, high impact ways to increase production above current levels, and at the same time improve economics, the key priorities will be consistency, quality, and steady shipments to customers. This is intended to ensure a stable and scalable platform, reduce uncertainty and variability, provide a strong foundation for future capacity expansion, and reduce interim capital expenditure requirements, while at the same time enabling the Company to move forward with its strategic partner plans.

Once a strategic partner is engaged, the Company will undertake the appropriate analysis to determine optimal capital allocations between the Saskatoon plant and future projects in the context of this environment. Also during this interim period, the Company will continue work to improve protein purity levels, as well as further piloting and prove-up of its hydrolyzed protein (Vitalex) process and product.

Adoption of Shareholder Rights Plan

The board of directors has approved the adoption of a shareholder rights plan (the "Rights Plan") designed to encourage the fair and equal treatment of shareholders in connection with any take-over bid for the Company's outstanding securities. The purpose of the Rights Plan is to provide shareholders and the Company's board of directors with adequate time to consider and evaluate any unsolicited bid made for the Company, to provide the board with adequate time to identify, develop and negotiate value-enhancing alternatives to any such unsolicited bid, to encourage the fair treatment

BioExx Specialty Proteins Ltd. - Management Discussion & Analysis

For the three and nine month periods ended **September 30, 2011**

of shareholders in connection with any take-over bid for the Company and to ensure that any proposed transaction is in the best interests of the Company's shareholders.

The Rights Plan is similar to plans adopted by other Canadian companies. One right (a "Right") will be issued by the Company in respect of each common share. The Rights will become exercisable only if a person (together with its affiliates, associates and joint actors) acquires 20% or more of the Company's common shares without complying with the "Permitted Bid" provisions of the Rights Plan, or without the approval of the Company's board of directors. "Permitted Bids" under the Rights Plan must be made to all holders of the Company's common shares and must be open for acceptance for a minimum of 60 days. If at least 50% of the outstanding common shares have been tendered and not withdrawn after 60 days, the bidder may take-up the shares, but must make a public announcement of that take-up and extend the bid for a further 10 days to allow other shareholders to tender to the bid.

Although effective as of today, the Rights Plan is subject to ratification by the Company's shareholders at the next annual meeting of shareholders. If the Rights Plan is not ratified at the next annual shareholder's meeting, the Rights Plan and all of the Rights outstanding at that time will terminate. The Rights Plan has been approved by the Toronto Stock Exchange. A copy of the Rights Plan is available to the public for viewing on SEDAR at www.sedar.com under the Company's profile.

Results of Operations - Period Ended September 30, 2011

Operating results herein are discussed primarily with respect to the comparable period in the prior year (Q3 2010). All 2010 comparative figures are presented as adjusted for the adoption of IFRS unless otherwise noted.

Revenues

During the quarter, the Company generated \$930,239 of revenue from canola oil and canola meal sales at its Saskatoon plant (including a loss on derivatives of \$14,682 – Q3 2010 \$Nil), versus revenue of \$178,464 in Q3 2010. This revenue was based on approximately 2,000 Mt seed processed in the quarter, as compared to approximately 500 Mt in the comparable 2010 quarter. The primary factor in the higher revenues was the higher processing volumes. While crushing operations were off-line for the month of August 2011 due to shut-down, volumes still materially exceeded the Q3 2010 period during which time the plant was dominated by protein equipment installation and as such ran only infrequently.

On a comparative quarterly basis, product revenues were:

REVENUE COMPOSITION (\$)	Q3 2011	Q3 2010
Oil Revenue	690,425	114,431
Meal Revenue	254,496	64,033

Cost of Goods Sold

Cost of Goods Sold for the quarter was \$2,218,434, compared to \$846,619 for Q3 2010. The increase results primarily from the higher processing volumes, and also higher seed costs versus Q3 2010. Cost of Goods Sold for the quarter was also higher, relative to revenues for the quarter, as a result of the annual plant maintenance shutdown activities included in Cost of Goods Sold.

Gross Profit (Loss)

As a result of the foregoing factors, Gross Loss for the quarter was \$1,288,195, compared with \$668,155 for the comparable period.

As the Company has discussed in prior quarters, the operation of a small 40,000 metric ton crush-only plant is economically challenging. Until the economics of protein production and sales are reflected at material volumes in the financial results, plant operations are best viewed not on a stand-alone basis but rather as a stepping stone towards the protein isolate business.

Other Expenses

The Corporation incurred other expenses during the quarter of \$4,462,498, compared to \$2,370,794 in the comparable period. The primary components of this increase were:

	Q3 2011 \$	Q3 2010 \$
Other general and administrative	1,028,876	1,062,173
Share-based compensation	695,527	815,450
Research and development	213,634	344,789
Plant commissioning and start-up	2,368,705	-
Sales and marketing	97,509	83,164
Net finance costs	58,247	65,218

Given the challenges to date in protein production and start-up, the Company has renewed its focus on discretionary expenditure control. Although the scope and breadth of operations are more extensive than in the prior year period, aggregate expenditures across Other general and administrative, Research and development, and Sales and marketing are relatively flat.

As the Company moved into the later stages of protein start-up and into commercial protein operations during Q3 2011, it incurred Plant commissioning and start-up expenses, which it did not incur during Q3 2010, as the Saskatoon plant was not advanced to the same extent at that time. In comparison with the prior quarter for greater relevance, Plant commissioning and start-up expenses were \$2,368,705 in Q3 versus \$1,537,215 in Q2. Depreciation for Q3 was \$1,091,713 (the first quarter after significant assets were put into commercial use, and therefore the first full quarter of depreciation) versus \$328,932 in Q2. Plant commissioning and start-up expenses also included a loss on disposal of certain pieces of equipment, in the amount of \$223,106, mainly related to items which are the subject of a Statement of Claim filed against an equipment vendor as disclosed in Note 25(e) to the September 30, 2011 unaudited interim consolidated financial statements. After considering these two items, Plant commissioning and start-up expenses were lower on a quarter over quarter basis.

Net Finance Costs were lower versus the comparable prior year period, primarily as a result of higher interest earned on proceeds from the Company's most recent public equity offering.

BioExx Specialty Proteins Ltd. - Management Discussion & Analysis
 For the three and nine month periods ended **September 30, 2011**

Net Loss

The Net Loss for the quarter was \$5,750,693, compared to \$3,038,949 for the comparable quarter last year. This increase in net loss comprises the cumulative result of the various items discussed above. On a per share basis, the Net Loss is \$0.03 for the quarter, versus \$0.02 in the comparable quarter.

Summary Historical Financial Information:

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	GAAP
Revenue	\$930,239	\$1,950,987	\$1,249,601	\$555,820	\$178,464	\$838,283	\$1,695,668	\$1,422,488
Net Loss	\$5,750,693	\$5,069,653	\$3,863,767	\$4,386,563	\$3,038,949	\$3,389,417	\$4,090,429	\$2,662,667
Loss per Share	\$0.03	\$0.03	\$0.02	\$0.02	\$0.02	\$0.02	\$0.03	\$0.02

Working Capital and Liquidity

As at September 30, 2011, current assets were \$20,644,985, including cash and cash equivalents and restricted cash of \$18,571,708. Against current liabilities of \$6,335,473, this results in net working capital of \$14,309,512. This compares to current assets of \$20,311,796 and net working capital of \$14,147,997 as at December 31, 2010.

Cash Flows

BioExx Net Cash Flow Used In Operating Activities during the quarter was (\$3,318,871), compared to (\$1,816,576) in Q3 2010. The difference primarily reflects the increased operating losses, net of increased amortization and depreciation expenses, as discussed above.

BioExx Net Cash Flow Used In Investing Activities during the quarter was (\$3,648,564) compared to Q3 2010 of (\$13,738,655). This is based primarily on significant slowing in capital expenditures related to the Saskatoon plant as it has moved into start-up and early commercial operations.

BioExx Net Cash Flow From Financing Activities during the quarter was \$2,712,095, compared to \$32,366,711 in Q3 2010. The Q3 2011 amount accrues primarily to the closing of an over-allotment option on an equity financing completed in late Q2 2011, as compared to Q3 2010 with the closing of an equity financing for gross proceeds of \$34,534,500.

Additional Selected Financial Information

The following selected balance sheet and cash flow information is presented for the current quarter with a comparison to the prior three quarters.

	Q3 2011 \$	Q2 2011 \$	Q1 2011 \$	Q4 2010 \$
Working Capital	14,309,512	19,936,201	8,600,830	14,147,997
Cash Flows From Operations	(3,318,871)	(2,600,897)	(2,861,158)	(1,794,170)
Cash Flows From Financing Activities	2,712,095	18,650,921	(556,296)	35,619
Cash Flows From Investing Activities	(3,648,564)	(1,212,628)	(5,449,208)	(3,684,570)
Total Assets	95,968,943	96,786,274	81,863,730	86,204,564
Loans and borrowing (non-current)	6,399,322	6,448,359	6,478,814	6,516,823
Shareholders' Equity	83,234,148	85,404,700	70,825,457	73,523,942

Working Capital Requirements and Capital Resources

With respect to the interim investment of these funds, BioExx holds only cash, or government-issued or Canadian Schedule A bank-issued short-term debt instruments, and it does not hold debt instruments issued by other corporations, nor does it hold any equities or other investments of any kind.

Based on current budgets and internal estimates, BioExx will require additional capital to construct and operate its processing facilities within the next 12 months. As BioExx moves forward with the execution of its business plan, its visibility into precise working capital requirements will improve. As with all capital projects, until all capital spending and the optimization of the particular facility is complete, uncertainty will remain in this regard. This uncertainty arises from several factors, including:

- Receipt and timing of required permits
- Actual remaining engineering, construction, and installation costs
- Availability and cost of required equipment and components
- Pace of production volume ramp-up
- Continuity of supply of feedstock
- Continuity of customer off-take (sales)
- Input costs and output prices

BioExx Specialty Proteins Ltd. - Management Discussion & Analysis

For the three and nine month periods ended **September 30, 2011**

Changes in these or other factors would be likely to impact the Company's capital requirements, and it cannot be presently known if the required additional capital would be available, nor what terms may be associated with the same.

In addition to completion of construction and ramp-up of the Company's Saskatoon facility, the Company's business plan calls for the development of additional processing facilities, at larger scales, in conjunction with a strategic partner or partners. Currently available capital is not sufficient to meet these objectives, and as such the Company will require additional capital within the next 12 months. Although the Company believes that in the context of the demonstration of successful operations at the Saskatoon plant, additional debt and equity capital would be available, in particular from a strategic partner or partners, there can be no guarantee of the availability of this capital nor on what terms it would be available.

The Company's credit facilities, with Farm Credit Canada ("FCC") and with the Bank of Montreal, carry certain covenants and conditions which the Company is required to meet and maintain on a periodic and on-going basis for these facilities to remain in good standing. Should the Company fail to meet these covenants and conditions, the Company may require additional capital to strengthen its balance sheet, or replacement funding would be required, and it cannot be known if such capital would be available, nor what terms may be associated with the same. The company meets all such covenants and conditions at this time. The Company expects that it will not meet the debt service coverage ratio, as at December 31, 2011, as defined under the terms of the mortgage agreement with FCC, as disclosed in Note 11(i) to the unaudited interim financial statements for the nine months ended September 30, 2011. If that occurs, the Company would seek relief from FCC on the loan covenant or repay the outstanding balance of the debt to the extent that cash resources are sufficient to do so. There can be no assurances that such relief would be granted by FCC.

As of the date of this MD&A, BioExx has no Off Balance Sheet commitments, except for the operating leases and purchase obligations, as noted below.

Contractual Obligations:

Contractual Obligations	Payments Due by Period				
	Total	< 1 year	1 - 3 years	4 - 5 years	> 5 years
Loans and borrowings	6,714,443	315,121	5,268,056	1,063,020	68,246
Capital Lease Obligations	-	-	-	-	-
Operating Leases	140,000	128,000	12,000	-	-
Purchase Obligations*	3,146,992	1,627,000	1,440,000	79,992	-
Other Long-term Obligations	-	-	-	-	-
Total Contractual Obligations	10,001,435	2,070,121	6,720,056	1,143,012	68,246

* "Purchase Obligations" means an agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

Capital Resources:

As at September 30, 2011, the Company had capital expenditure commitments for the Saskatoon plant of approximately \$494,000 (see Note 24(b) to the September 30, 2011 unaudited interim consolidated financial statements), with the expected source of funds for these commitments being existing cash resources.

Looking forward, the Company had not yet committed to, but does expect, additional capital expenditures of approximately \$2.5 million for its Saskatoon facility in 2011, with the actual amount and the allocation between projects being dependent upon on the availability of capital, costs, progress and relative timing of both projects in the context of the Company's business plan. Future operating and capital expenditures in excess of the Company's currently available resources are expected to be satisfied through a combination of debt and equity, with the relative proportion to be determined based on the Company's operating performance from time to time, as well as the conditions, cost, and availability of capital in debt and equity markets.

The Company has not been profitable since its inception, and given that the Company's crush-only operations are not profitable, and its protein production operations are not sufficiently established to be profitable, it is difficult for the Company to demonstrate the financial performance required to access significant amounts of debt capital. The Company is hopeful that if protein isolate production volumes increase and the path towards profitability is demonstrated, it may be able to show sufficient cash flow to be able to more meaningfully access debt markets, and at an acceptable cost and on acceptable terms. To the extent that debt is not available or is not available on terms acceptable to the Company, then the Company will look to satisfy capital requirements in equity markets and through strategic partnerships. In either case, the Company will need considerable additional capital to meet its business growth plans, and there can be no assurance that such capital will be available when required, or on acceptable terms to the Company, and any such lack of available capital may materially impact the Company.

Commitments and Contingencies

- (a) The Company has a variable rate \$2,500,000 operating line of credit (the "Line"), provided by the Bank of Montreal ("BMO") to fund growth in working capital. Interest is payable monthly at the Bank's prime rate plus 1.5%. The facility is subject to 75% margin conditions against accounts receivable and inventory. The facility is primarily secured by the accounts receivable and inventory as well as a general security agreement covering the Company's remaining assets (subject to FCC's first priority). Draws upon the Line and maintenance of the Line are subject to fulfillment by the Company of standard conditions and compliance by the Company with customary credit covenants. In addition, BMO provided a \$1,000,000 Letter of Credit, in favour of FCC, as a vehicle for the FCC contingency reserve as stated in Note 11(i) to the September 30, 2011 unaudited

BioExx Specialty Proteins Ltd. - Management Discussion & Analysis

For the three and nine month periods ended **September 30, 2011**

interim consolidated financial statements. The Letter of Credit was subject to an annual commission rate of 1.2%.

During the three months ended June 30, 2011, FCC agreed to release the \$1,000,000 contingency reserve, and as a result the \$1,000,000 Letter of Credit was terminated. As at September 30, 2011, the Company had a limit of \$304,000 available on the Line (December 31, 2010 - \$108,000), with \$Nil drawn against that balance (December 31, 2010 - \$Nil).

- (b) As at September 30, 2011, the Company is committed to plant and equipment expenditures totaling approximately \$494,000 (December 31, 2010 - \$956,000). See Notes 7(i) and 10 to the September 30, 2011 unaudited interim consolidated financial statements.
- (c) The Company has committed to purchasing an annual amount of 40,000 metric tonnes ("MT") of canola seed from a distributor for a period of 6 years plus 2 consecutive renewal terms of 2 years, commencing December 1, 2009. The canola is used for processing at the Company's Saskatoon plant. The price is determined at a rate that varies with the market price of canola when purchased. Under the terms of the agreement with the distributor, should the Company not purchase the minimum amount in each annual period, the Company will have to pay a penalty calculated as \$12 per MT of canola for each MT under the minimum amount. Based on a 2010 calendar year average price for canola of \$461.81 per Mt (*Source: Canola Counsel of Canada*), the total economic exposure on 40,000 Mt would have been approximately \$18.5 million. Given the costs, management resources, and risk of loss associated with taking delivery of the canola seed and re-marketing the quantity not used in production, the Company considers this structure of capping exposure with the payment of the sourcing fee, at approximately 2.5% of economic value, to be reasonable and prudent business management. As at November 30, 2010, the Company had taken delivery of approximately 10,000 MT of canola seed for the twelve month period commencing December 1, 2009.

Under the terms of the agreement, the Company accrued a penalty in the amount of \$360,000 based on a calculated delivery shortfall of approximately 30,000 MT of canola seed. The penalty was presented as a component of plant commissioning and start-up expenses in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2010.

As at September 30, 2011, the Company had taken delivery of approximately 8,200 MT of Canola seed relating to the twelve month period commencing December 1, 2010. The Company has accrued a penalty in the amount of approximately \$293,000 based on a calculated delivery shortfall of approximately 25,100 MT of canola seed for the ten months ended September 30, 2011. The penalty has been presented as a component of plant commissioning and start-up expenses in the unaudited interim consolidated statement of loss and comprehensive loss for three and nine months ended September 30, 2011.

BioExx Specialty Proteins Ltd. - Management Discussion & Analysis

For the three and nine month periods ended **September 30, 2011**

- (d) The Company is defending a claim by Allmax Nutrition Inc. for trademark infringement relating to the Company's Isolexx trademark. The claim is for an unspecified amount. The Company denies the allegations and as such has filed a counterclaim. The Company has not recorded a provision for this contingency since the likelihood and amount of any potential gain or loss cannot be reasonably estimated. Management does not expect any gain or loss to be material.
- (e) The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for its directors and officers.
- (f) From time to time, the Company enters into agreements in the normal course of operations. By their nature, these agreements provide for indemnification of counterparties. The varying nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could incur. Historically the Company has made no payments in connection with these indemnification provisions.

Related Party Transactions

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- (a) Included in accounts payable and accrued liabilities is \$2,385 (December 31, 2010 - \$7,474) due to directors and officers of the Company relating to directors fees and reimbursements for employment expenses. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.
- (b) The remuneration of directors and other members of key management personnel during the period ended were as follows:

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	\$	\$	\$	\$
Short-term employee benefits	120,168	136,304	397,960	416,375
Share-based payments (i)	126,240	322,278	773,503	1,378,111
Post-employment benefits (ii)	263,680	-	263,680	-
	510,088	458,582	1,435,143	1,794,486

- (i) The options granted vest in 24 equal amounts with each 1/24 of the common shares underlying the option vesting on first day of the 24 months following the date of grant, except for 1,200,000 options which

BioExx Specialty Proteins Ltd. - Management Discussion & Analysis

For the three and nine month periods ended **September 30, 2011**

were granted to officers, which vest in 24 equal amounts with each 1/24 of the common shares underlying the option vesting on the first day of the 24 months following the date of the first commercial protein isolate shipment from the Company's Saskatoon facility. As at December 31, 2010 the 1,200,000 options granted to officers had not commenced vesting. In July 2011, the Company completed its first shipment of protein isolates from the Company's Saskatoon facility; therefore the 1,200,000 options granted to officers began vesting in August 2011.

- (ii) During the three and nine months ended September 30, 2011 the Company accrued post-employment benefits in the amount of \$263,680 relating to key management personnel which will be paid evenly over a one year term commencing in August 2011 (three and nine months ended September 30, 2010 - \$Nil). Key management personnel were not paid termination benefits, or other long-term benefits during the periods ended.

- (c) During the three and nine months ended September 30, 2011 a fee in the amount of \$Nil (year ended December 31, 2010 - \$25,000) was paid to a corporation of which one of the Company's directors is an officer. The amount related to work in regard to the provision of potential future financing to the Company. As the likelihood of that financing was not determinable, the amount has been expensed to other general and admin expenses in the consolidated statement of comprehensive loss for the year ended December 31, 2010.

Outstanding Securities

At September 30, 2011 the Corporation had 215,680,158 common shares outstanding (215,680,158 as of the date of this MD&A). Of the September 30 balance, 2,472,750 shares were subject to escrow restrictions (2,472,750 as of the date of this MD&A). In addition, the Corporation had 13,793,426 stock options and 11,500,000 share purchase warrants outstanding at September 30, 2011 (13,975,051 and 11,500,000, respectively as of the date of this MD&A). See the Notes 14 and 16 to the September 30, 2011 unaudited interim consolidated financial statements for further detail.

Transition to IFRS

The unaudited interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS"), and the Company has elected January 1, 2010 as the date of transition to IFRS (the "transition date"). As the financial statements represent the Company's presentation of its results and financial position under IFRS, they were prepared in accordance with International Accounting Standard ("IAS") 34, Interim

BioExx Specialty Proteins Ltd. - Management Discussion & Analysis

For the three and nine month periods ended **September 30, 2011**

Financial Reporting and IFRS 1, *First-time Adoption of IFRS* (“IFRS 1”). The unaudited interim consolidated financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011. The accounting policies applied in the unaudited interim consolidated financial statements are based on the IFRS standards and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations issued and outstanding as of November 14, 2011 the date the Board of Directors approved the unaudited interim consolidated financial statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of the unaudited interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS. The policies set out below were consistently applied to all periods presented unless otherwise noted below.

The Company’s consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). Canadian GAAP differs in some areas from IFRS. Certain information and footnote disclosures which are considered material to the understanding of the Company’s unaudited interim consolidated financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are provided in the notes, along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, profit or loss and the statements of financial position and cash flows.

As the September 30, 2011 financial statements are the Company’s third set of interim consolidated financial statements in accordance with IFRS, the Company’s disclosures exceed the minimum requirements under IAS 34, *Interim Financial Reporting*. The Company has elected to exceed the minimum requirements in order to present the Company’s accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company’s 2010 annual consolidated financial statements prepared in accordance with Canadian GAAP. In future interim financial statements in 2012 and beyond, the Company may not provide the same amount of disclosure in the Company’s interim consolidated financial statements under IFRS as the reader will be able to rely on the annual consolidated financial statements, which will be prepared in accordance with IFRS.

Explanation of Transition to International Financial Reporting Standards

As disclosed in Note 2(a) of the September 30, 2011 unaudited interim consolidated financial statements, these are the Company’s third set of consolidated financial statements prepared in accordance with IFRS.

The accounting policies disclosed in Note 3 to the unaudited interim consolidated financial statements for the three months ended March 31, 2011 have been applied in preparing the unaudited interim consolidated financial statements for three and nine months ended September 30, 2011, the comparative information for the three and nine

BioExx Specialty Proteins Ltd. - Management Discussion & Analysis

For the three and nine month periods ended **September 30, 2011**

months ended September 30, 2010 and in the preparation of the statement of financial position as at December 31, 2010, including application of IFRS 1.

An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, loss and comprehensive loss and cash flows is set out in the following tables and notes that accompany the tables.

For details regarding the opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition to IFRS) and in the preparation of the statement of financial position as at December 31, 2010, including application of IFRS 1 refer to the unaudited interim consolidated financial statements for the three months ended March 31, 2011.

Explanation of Transition to International Financial Reporting Standards (continued)

Reconciliation of financial position and shareholders' equity

		September 30, 2010		
		Canadian	Effect of	
		GAAP	transition to	IFRS
Note		\$	\$	\$
Assets				
Current assets				
	Cash	22,071,846	-	22,071,846
	Restricted cash and investment	1,400,000	-	1,400,000
	Trade and other receivables	1,118,938	-	1,118,938
	Investment tax credits receivable	2,069,238	-	2,069,238
	Other assets	95,442	-	95,442
	Inventories	150,032	-	150,032
	Total current assets	26,905,496	-	26,905,496
Non-current assets				
	Other assets	485,694	-	485,694
	Intangible assets	673,027	74,550	747,577
	Property, plant and equipment	58,401,022	(44,127)	58,356,895
	Restricted investments	1,000,000	-	1,000,000
	Total non-current assets	60,559,743	30,423	60,590,166
	Total assets	87,465,239	30,423	87,495,662
Equity and liabilities				
Current liabilities				
	Loans and borrowings	516,865	-	516,865
	Trade and other payables	3,441,134	-	3,441,134
	Other liabilities	25,300	-	25,300
	Total current liabilities	3,983,299	-	3,983,299
Non-current liabilities				
	Loans and borrowings	6,704,581	-	6,704,581
	Other liabilities	6,678	-	6,678
	Total non-current liabilities	6,711,259	-	6,711,259
	Total liabilities	10,694,558	-	10,694,558
Equity				
	Share capital	98,108,364	-	98,108,364
	Contributed surplus	6,233,195	(57,354)	6,175,841
	Warrants	37,714	-	37,714
	Deficit	(27,608,592)	87,777	(27,520,815)
	Total equity	76,770,681	30,423	76,801,104
	Total equity and liabilities	87,465,239	30,423	87,495,662

Explanation of Transition to International Financial Reporting Standards (continued)

Reconciliation of loss and comprehensive loss for the three months ended September 30, 2010

	Note	Canadian GAAP \$	Effect of transition to IFRS \$	IFRS \$
Operations				
Revenue		178,464	-	178,464
Cost of goods sold		(846,619)	-	(846,619)
Gross loss				
		(668,155)	-	(668,155)
Share-based compensation	(a)(i)	(822,508)	7,058	(815,450)
Other general and administrative expenses	(a)(iii)	(1,064,714)	2,541	(1,062,173)
Research and development expenses		(344,789)	-	(344,789)
Sales and marketing expenses		(83,164)	-	(83,164)
Results from operating activities				
		(2,983,330)	9,599	(2,973,731)
Finance income		20,100	-	20,100
Finance costs	(a)(ii)	(122,483)	37,165	(85,318)
Net finance costs				
		(102,383)	37,165	(65,218)
Net loss and comprehensive loss				
		(3,085,713)	46,764	(3,038,949)
Earnings (loss) per share				
Basic		(0.02)	-	(0.02)
Diluted		(0.02)	-	(0.02)

Adjustments to the Statement of Cash Flows for the three months ended September 30, 2010

Consistent with the Company's accounting policy under IAS 7, *Statement of Cash Flows*, interest paid and received have been moved to the body of the *Statement of Cash Flows*, whereas it was previously disclosed as supplementary information. There are no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

Explanation of Transition to International Financial Reporting Standards (continued)

Reconciliation of loss and comprehensive loss for the nine months ended September 30, 2010

	Note	Canadian GAAP \$	Effect of transition to IFRS \$	IFRS \$
Operations				
Revenue		2,712,415	-	2,712,415
Cost of goods sold		(5,036,179)	-	(5,036,179)
Gross loss				
		(2,323,764)	-	(2,323,764)
Share-based compensation	(a)(i)	(3,428,929)	42,706	(3,386,223)
Other general and administrative expenses	(a)(iii)	(2,677,418)	5,468	(2,671,950)
Research and development expenses		(1,763,339)	-	(1,763,339)
Sales and marketing expenses		(218,798)	-	(218,798)
Results from operating activities				
		(10,412,248)	48,174	(10,364,074)
Finance income		82,356	-	82,356
Finance costs	(a)(ii)	(294,375)	57,298	(237,077)
Net finance costs				
		(212,019)	57,298	(154,721)
Net loss and comprehensive loss				
		(10,624,267)	105,472	(10,518,795)
Earnings (loss) per share				
Basic		(0.06)	-	(0.06)
Diluted		(0.06)	-	(0.06)

Adjustments to the Statement of Cash Flows for the six months ended September 30, 2010

Consistent with the Company's accounting policy under IAS 7, *Statement of Cash Flows*, interest paid and received have been moved to the body of the *Statement of Cash Flows*, whereas it was previously disclosed as supplementary information. There are no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

Explanation of Transition to International Financial Reporting Standards (continued)

(a) Impact on accounting policies upon adoption of IFRSs

The key areas where the Company has identified that accounting policies differ, or where accounting policy decisions were necessary that impacted the Company's interim consolidated financial statements, are noted below. Note that this does not include the impact of transition policy choices made under IFRS 1, as disclosed in Note 27(a) to the March 31, 2011 unaudited interim consolidated financial statements.

(i) Share based-payments:

Choices: There are no policy choices available under IFRS.

Difference from existing Canadian GAAP: IFRS 2, *Share-based Payments*, requires the fair value of each tranche of share options be amortized over their respective vesting period. Canadian GAAP allows for both the aforementioned method as well as the straight-line method of amortizing these costs. Under Canadian GAAP, forfeitures of share options can be accounted for at the time that they occur, whereas under IFRS, the number of share options that would ultimately vest is amortized over their respective vesting period.

Transition impact: The Company already amortizes the fair value of each tranche of share options over their respective vesting period. The impact of applying an estimated forfeiture rate to the value of unvested options as at September 30, 2010 is summarized as follows:

Interim consolidated statement of loss and comprehensive loss for the three and nine months ended September 30, 2010:

	Three months \$	Nine months \$
Decrease in share-based compensation: Recognized forfeiture adjustment	<u>(7,058)</u>	<u>(42,706)</u>

Consolidated statement of financial position:

	September 30, 2010
Reduction of Contributed surplus	<u>(57,354)</u>
Decrease in deficit	<u>(57,354)</u>

Expected future impact: The Company will apply the requirements of estimating a forfeiture rate on stock options as prescribed under IFRS 2.

Explanation of Transition to International Financial Reporting Standards (continued)

(a) Impact on accounting policies upon adoption of IFRSs (continued)

(ii) Borrowing costs:

Choices: There are no policy choices available under IFRS

Difference from existing Canadian GAAP: IAS 23, *Borrowing Costs* requires the capitalization of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Under Canadian GAAP, the Company elected to expense these costs as incurred.

Transition impact:

Interim consolidated statement of loss and comprehensive loss for the three and nine months ended September 30, 2010:

	Three months \$	Nine months \$
Decrease in finance costs:		
Capitalization of borrowing costs	(37,165)	(57,298)

Consolidated statement of financial position:

	September 30, 2010 \$
Increase in property, plant and equipment:	
Equipment	57,298
Decrease in deficit	(57,298)

Expected future impact: There will be ongoing capitalization of borrowing costs on qualified assets in future periods.

Explanation of Transition to International Financial Reporting Standards (continued)

(a) Impact on accounting policies upon adoption of IFRSs (continued)

(iii) Intangible assets:

Choices: There are no policy choices available under IFRS

Difference from existing Canadian GAAP: IFRS and Canadian GAAP are similar in the treatment of intangible assets. Under IFRS, computer software that has been separately acquired must be presented as a component of intangible assets. IAS 38, *Intangible Assets* and SIC 32, *Intangible Assets – Website Costs* requires specific criteria be met to allow for the capitalization of website costs, including the requirement to demonstrate how a website will generate future economic benefits (the website must be capable of generating revenues, including direct revenues from enabling orders to be placed). IFRS requires the presentation of computer software as a component of intangible assets. Previously the Company presented computer software as a component of property, plant and equipment.

Transition impact: The Company has written-off costs associated with its website and reclassified the presentation of computer software from property, plant and equipment to intangible assets.

Interim consolidated statement of loss and comprehensive loss for the three and nine months ended September 30, 2010:

	Three months \$	Nine months \$
Increase in general and admin expenses:		
Expense of 2010 website expenditures	-	2,150
Decrease in depreciation of equipment:		
Reversal of depreciation on website	(2,541)	(7,618)
	<u>(2,541)</u>	<u>(5,468)</u>

Consolidated statement of financial position:

	September 30, 2010 \$
Decrease in property, plant and equipment:	
Reclassification of computer software	(74,550)
Derecognition of website	(26,875)
	<u>(101,425)</u>
Increase in intangible assets:	
Reclassification of computer software	74,550
Increase in deficit	<u>(26,875)</u>

Explanation of Transition to International Financial Reporting Standards (continued)

(a) Impact on accounting policies upon adoption of IFRSs (continued)

(iii) Intangible assets: (continued)

Expected future impact: All costs associated with websites will be expensed as incurred, unless the expenditures qualify for capitalization under IFRS. Computer software that has been separately acquired will be presented as a component of intangible assets in future periods.

Financial Instruments

The Company's risk exposures and the impact on the financial instruments are summarized below. There have been no material changes to the risks, objectives, policies and procedures for the year ended December 31, 2010 or nine months ended September 30, 2011.

(a) Credit risk:

Financial risk factors

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to cash and cash equivalents, restricted cash, restricted investment, receivables and equipment deposits. At September 30, 2011 and December 31, 2010, substantially all of the Company's trade receivables were with one customer. As the Company continues to ramp up production and revenues at its Saskatoon facility, depending on the specific product mix in sales from time to time, the Company may face customer concentrations ranging from 30% to 100% of periodic revenues. The Company monitors the credit risk and credit standing of its customers on a regular basis.

Cash and cash equivalents and restricted cash are generally invested in cash accounts held in Canadian chartered banks or a financial institution controlled by a Canadian chartered bank. Cash equivalents are generally invested in guaranteed investment certificates with maturities of one month or less and are held in Canadian chartered banks or a financial institution controlled by a Canadian chartered bank. Restricted investments are short-term interest-bearing securities issued by a Canadian chartered bank. Management believes the risk of loss associated with these assets to be remote.

Management believes that the credit risk concentration with respect to financial instruments included in assets has been reduced to the extent presently practicable and expects further concentration reductions as production volumes, sales, and product varieties grow.

BioExx Specialty Proteins Ltd. - Management Discussion & Analysis

For the three and nine month periods ended **September 30, 2011**

During the course of development and construction of its facilities, the Company is from time to time required to make progress payments to vendors against certain equipment purchases in advance of the delivery of such equipment by the vendors, thus exposing the Company to the credit risk of the vendor during the fabrication period. Such purchase structures are common in these situations, and the Company looks to mitigate associated risk by selecting large and reputable vendors with strong track records, diversifying purchases across vendors, and managing schedules to minimize fabrication time.

Customer Concentration

For the nine months ended September 30, 2011 and the year ended December 31, 2010, substantially all of the Company's sales and trade receivables were derived from one customer, who acts as a distributor of the Company's canola oil and canola meal products. Should this customer substantially curtail its dealings with the Company, management is of the opinion that the Company would not be materially adversely affected. Canola oil and meal are commodities, freely saleable in commodity markets, subject to prices in effect at the time. In the event that the customer substantially curtailed its dealings with the Company, management would seek replacement contracts with other market participants relating to brokering the products to market, or alternatively the Company may choose to perform this task internally. In addition, as the Company introduces other planned products to market, such as its canola proteins, the dependence on the current oil and meal customer would be correspondingly reduced.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	September 30, 2011	December 31, 2010
	\$	\$
Cash and cash equivalents	18,344,119	16,628,725
Restricted cash	227,589	78,868
Restricted investment	-	1,000,000
Trade receivables	437,855	309,320
	<u>19,009,563</u>	<u>18,016,913</u>

Impairment losses

The aging of trade receivables at the reporting date was:

	September 30, 2011		December 31, 2010	
	Carrying Amount	Gross Impairment	Carrying Amount	Gross Impairment
	\$	\$	\$	\$
Not past due	432,888	-	246,326	-
Past due 0–30 days	2,372	-	33,069	-
Past due 31–120 days	2,595	-	29,925	-
	<u>437,855</u>	<u>-</u>	<u>309,320</u>	<u>-</u>

BioExx Specialty Proteins Ltd. - Management Discussion & Analysis

For the three and nine month periods ended **September 30, 2011**

The average credit period for the Company's sales is 30 days. Included in trade receivables are receivables with a carrying value of \$4,967 (December 31, 2010 - \$62,994) that are past due but have not been provided for. Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of these trade receivables. The past due receivables are considered fully recoverable.

(b) Liquidity risk:

Financial risk factors

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses and capital expenditures, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted. In addition, the Company maintains the following line of credit:

- \$2,500,000 operating line of credit to fund working capital requirements. Interest is payable at the bank's prime rate plus 1.5% and is primarily secured by the Company's trade receivables and inventories as well as a general security agreement covering the Company's remaining assets (subject to FCC's first priority), as disclosed in Note 24(a) to the unaudited interim financial statements for the nine months ended September 30, 2011.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest:

September 30, 2011

	Carrying Amount	Contractual Cash Flows	1 year or less	2 years	3-5 years	More than 5 years
	\$	\$	\$	\$	\$	\$
Non-derivative financial liabilities						
Secured loans	4,064,136	(4,716,416)	(501,595)	(505,731)	(3,709,090)	-
Unsecured loans	283,333	(303,993)	(111,875)	(106,875)	(85,243)	-
Unsecured repayable contributions	2,366,974	(2,958,000)	-	(295,800)	(1,774,800)	(887,400)
Trade and other payables	6,013,652	(6,013,652)	(6,013,652)	-	-	-
	12,728,095	(13,992,061)	(6,627,122)	(908,406)	(5,569,133)	(887,400)

BioExx Specialty Proteins Ltd. - Management Discussion & Analysis
For the three and nine month periods ended **September 30, 2011**

December 31, 2010

	Carrying Amount	Contractual Cash Flows	1 year or less	2 years	3-5 years	More than 5 years
	\$	\$	\$	\$	\$	\$
Non-derivative financial liabilities						
Secured loans	4,208,403	(5,077,100)	(482,980)	(505,731)	(4,088,389)	-
Unsecured loans	300,000	(323,147)	(71,811)	(107,716)	(143,620)	-
Unsecured repayable contributions	2,757,879	(3,458,000)	(500,000)	-	(1,774,800)	(1,183,200)
Trade and other payables	5,334,557	(5,334,557)	(5,334,557)	-	-	-
Derivative financial liabilities						
Commodity futures contracts	53,016	(53,016)	(53,016)	-	-	-
	<u>12,653,855</u>	<u>(14,245,820)</u>	<u>(6,442,364)</u>	<u>(613,447)</u>	<u>(6,006,809)</u>	<u>(1,183,200)</u>

It is not expected that cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts, except that the Company expects that it will not meet the debt service coverage ratio, as at December 31, 2011, as defined under the terms of the mortgage agreement with FCC, as disclosed in Note 11(i). If that occurs, the Company would seek relief from FCC on the loan covenant or repay the outstanding balance of the debt to the extent that cash resources are sufficient to do so. There can be no assurances that such relief would be granted by FCC.

(c) Currency risk:

Financial risk factors

The Company is subject to foreign exchange risk as certain purchases are made in US dollars and Euros ("€"). The Company is therefore subject to gains and losses due to fluctuations in the US dollar and Euro relative to the Canadian dollar.

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	September 30, 2011		December 31, 2010	
	USD	Euro	USD	Euro
	\$	€	\$	€
Cash and cash equivalents	362,830	-	-	-
Trade and other payables	(223,917)	(149,553)	(203,827)	(123,888)
Derivative instruments	24,660	-	(53,304)	-
Net exposure	<u>163,573</u>	<u>(149,553)</u>	<u>(257,131)</u>	<u>(123,888)</u>

Sensitivity analysis

A strengthening or weakening of the Canadian dollar, as indicated below, against the Euro and US dollar at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This sensitivity analysis is based on financial instruments not denominated in the functional currency of the Company.

	10% weakening of the currency in relation to the CAD FX Rate	10% strengthening of the currency in relation to the CAD FX Rate
September 30, 2011		
US dollar	(17,000)	17,000
Euro	21,000	(21,000)
December 31, 2010		
US dollar	30,000	(30,000)
Euro	20,000	(20,000)

(d) Interest rate risk:

Financial risk factors

The Company has cash balances and interest-bearing debt. The Company's current policy is to invest excess cash in cash accounts or short-term interest-bearing securities issued by Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company has interest bearing debt with rates that fluctuate with the prevailing prime lending rate in Canada from time to time. The Company closely monitors interest rates to determine the appropriate course of action to be taken by the Company.

Profile of variable rate interest bearing financial instruments

At the reporting date the interest rate profile of the Company's variable rate interest-bearing financial instruments was:

	Carrying amount	
	September 30, 2011	December 31, 2010
Variable rate instruments		
Financial assets	4,966,302	16,628,725
Financial liabilities	(4,435,882)	(4,594,037)
	<u>530,420</u>	<u>12,034,688</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have approximately increased (decreased) profit or loss by the amounts shown below.

	100 bp increase	100 bp decrease
September 30, 2011	5,000	(5,000)
December 31, 2010	120,000	(120,000)

(e) Price risk:

Financial risk factors

The Company is exposed to price risk in respect of its purchase of canola seed for processing, and its sales of canola oil and canola meal. This exposure is typically quantified in an industry standard margin measurement called Crush Margin. Conceptually, Crush Margin is a representation of the per metric tonne excess of commodity output revenues (from oil and meal sales) less input costs (from seed purchases). Pricing of these commodities is determined in real time in actively trading commodity markets, and as such the Company is a “price taker” and has no control or influence over the Crush Margin. When Crush Margins increase, the Company’s processing margin increases, and when Crush Margins fall, the Company’s processing margin falls. It is not presently possible to quantify the dollar exposure of the Company to Crush Margins, since this is dependent on production volumes and as the Company proceeds through the ramp-up of the various phases of its Saskatoon facility, these production volumes will be variable.

The Company does not generally hedge the Crush Margin, but rather attempts to lock in seed prices and oil and meal prices within the same future price window to avoid temporal mismatching of pricing of the underlying commodities. In certain cases, the Company accepts longer term sales orders where pricing fluctuates with posted market rates, over the term of the order. As part of its commodity price risk management strategy to manage the price risk associated with price changes at the time the order is accepted, the Company may purchase the seed required to fulfil the order at a fixed price and will also enter into an offsetting futures contract that is intended to mitigate exposure to the future fluctuation in commodity sales prices under that sales order.

Since these contracts are not accounted for as hedges, the unrealized gain or loss on these contracts has been recorded in profit or loss. During the three and nine months ended September 30, 2011 the Company realized gains of \$29,183 and \$36,449, respectively (three and nine months ended September 30, 2010 - \$Nil) on the settlement of the commodity futures contracts. The fair value of the unrealized gain on the commodity futures contracts as at September 30, 2011 was \$25,849 (USD\$24,660) (December 31, 2010 - unrealized loss \$53,016; (USD\$53,304)). The realized and unrealized gains and losses on commodity futures contracts have been presented as a component of revenue in the statement of comprehensive loss.

(f) Operational risk

Financial risk factors

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes such as the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, liquidity, interest rate, foreign currency and price risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Company. This responsibility is supported by the development of Company standards for the management of operational risk in the following areas, including but not limited to the following:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development
- ethical and business standards and policies
- risk mitigation initiatives

(g) Fair value of financial instruments

IFRS requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for trade and other receivables, trade and other payables and the current portion of loans and borrowings on the statement of financial position approximate fair market value because of the limited term of these instruments. The fair value of the non-current portion of loans and borrowings approximates its carrying value.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at September 30, 2011, the Company's financial instruments that are carried at fair value, consisting of the restricted investment have been classified as Level 2 within the fair value hierarchy.

As at December 31, 2010, the Company's financial instruments that are carried at fair value, consisting of the restricted investment and derivative instruments have been classified as Level 2 within the fair value hierarchy.

(h) Other Risks and Uncertainties

The risks and uncertainties of the BioExx business are also described in detail in the Corporation's Annual Information Form and its Information Circular, which have been filed in accordance with regulation and are available for public viewing at www.sedar.com. The reader is encouraged to review these documents and specifically the risks and uncertainties associated with the BioExx business.

BioExx's business, and therefore an investment in BioExx's shares, should be considered highly speculative due to the nature of the Company's business and the present stage of its development. In evaluating BioExx and its business, readers should carefully consider, in addition to the other information, the following risk factors. These risk factors are not a definitive list of all risk factors associated with BioExx or in connection with its operations. It is believed that these are the factors that could cause actual results to be different from expected and historical results. You should not rely upon historical results or forward-looking statements as a prediction of future results.

(i) History of Losses

BioExx has a history of net losses since inception and it expects to continue to incur net losses while it builds its business, and as such it may not achieve or maintain profitability. BioExx's limited operating history makes it difficult to evaluate its business and there is no assurance that BioExx will grow and be profitable.

(ii) Acceptance of New Products

Technological change and modifications to manufacturing processes are typical for the markets BioExx serves. The future success of BioExx will depend in large part on it being able to continue to develop and introduce new products and processes in a timely manner that address evolving market requirements.

New product introductions may provide BioExx with a significant competitive advantage because customers make an investment of time in selecting and learning to use new products and are reluctant to switch thereafter. To the extent that BioExx is unable to introduce new and innovative products, it may lose market share to its competitors, which may be difficult to regain. Any inability, for technological or other reasons, to successfully develop and introduce new products could materially damage BioExx's business.

There can be no assurance that BioExx will be able to keep pace with changes in extraction and protein technology research, or that its new products will adequately meet the requirements of the marketplace or achieve market acceptance.

BioExx's technology differs from the technologies which its markets have traditionally employed. While BioExx believes its technology offers a superior and compelling solution, it has not been commercially proven to date, and there can be no assurance that customers will switch to BioExx's products. In order for BioExx's business to be successful, customers must adopt and continue to purchase its products over long periods of time.

(iii) Competition

The markets for BioExx's products are highly competitive. BioExx competes with many other suppliers of its primary oil, meal, and protein products. Many of its competitors have greater financial, operational and sales and marketing resources and more experience in research and development than BioExx. These and other companies may have developed or could in the future develop new technologies and new products that compete with BioExx's products or even render its technologies and products obsolete. Competition in BioExx's markets is primarily driven by:

- product performance, features and reliability;
- price;
- timing of product introductions;
- ability to develop, maintain and protect proprietary products and technologies;
- sales and distribution capabilities;
- environmental issues.

If a competitor develops or acquires superior technology or products or more cost-effective alternatives, BioExx's business, financial condition and results of operations could be materially adversely affected.

(iv) Foreign Business

BioExx's intended markets are global in scope, and BioExx expects that a significant majority of its revenues may be derived from business outside of Canada. This includes foreign suppliers, foreign customers, foreign joint venture partners, and the operation of production facilities in foreign countries. This makes a substantial portion of BioExx's anticipated revenues subject to risks associated with foreign businesses, including political instability, shipping delays, changes in foreign regulations, fluctuations in foreign

currencies, trade restrictions, and other risks of doing business in other countries and on other continents. There can be no assurance that BioExx will be able to operate successfully or profitably, for a sustained period of time, in foreign countries.

(v) Reliance on Key Personnel

BioExx's future success also will depend in large part on the continued service of its key scientific and management personnel, including executive staff, research and development, customer service, marketing and sales staffs. BioExx faces intense competition for these professionals from its competitors, its customers and other companies throughout its industry. BioExx does not generally enter into employment agreements requiring these employees to continue their employment for any period of time. Any failure on BioExx's part to hire, train and retain a sufficient number of qualified professionals could seriously damage its business.

(vi) Capital Requirements

Within the next 12 months, BioExx will need to incur additional debt or issue equity in order to fund working capital, capital expenditures and research and development requirements. If BioExx is unable to obtain additional debt or equity financing on acceptable terms or if it is limited with respect to incurring additional debt or issuing equity, it may be unable to continue operations, grow its business, or improve its technology. There can be no assurance that BioExx will be able to raise additional capital to fund its operations.

BioExx may need to raise substantial amounts of money to fund a variety of future activities integral to the development of its business, including but not limited to the following:

- for research and development to successfully develop additional products;
- to file and prosecute patent applications and defend and assert patents to protect its technology;
- to retain qualified employees, particularly in light of intense competition for qualified staff;
- to build and operate processing plants which generate BioExx revenues and profits; and
- to acquire new technologies, products or companies.

The incurrence of debt creates additional financial leverage and therefore an increase in the financial risk of BioExx's operations. The sale of additional equity securities will be dilutive to the interests of current equity holders. In addition, there can be no assurance that such additional financing, whether debt or equity, will be available to BioExx or that it will be available on acceptable commercial terms. Any inability to secure such additional financing on appropriate terms could have a materially adverse impact on the business, financial condition, and operating results of BioExx.

(vii) Intellectual Property

BioExx's success depends to a significant degree upon its ability to develop, maintain and protect proprietary products and technologies. BioExx files patent applications in the United States, Canada, Europe, and selectively in other foreign countries as part of its strategy to protect its proprietary products and technologies. However, patents provide only limited protection of BioExx's intellectual property. The assertion of patent protection involves complex legal and factual determinations and is therefore uncertain and expensive. BioExx cannot provide assurances that patents will be granted with respect to any of its pending patent applications, that the scope of any of its patents will be sufficiently broad to offer meaningful protection, or that it will develop additional proprietary technologies that are patentable. BioExx's current patents could be successfully challenged, invalidated or circumvented. This could result in BioExx's patent rights failing to create an effective competitive barrier. Losing a significant patent or failing to get a patent to issue from a pending patent application that BioExx considers significant could have a material adverse effect on BioExx's business.

The laws governing the scope of patent coverage in various countries continue to evolve. The laws of some foreign countries may not protect BioExx's intellectual property rights to the same extent as the laws of Canada and the United States. BioExx holds patents only in selected countries. Therefore, third parties may be able to replicate BioExx technologies covered by BioExx's patents in countries in which it does not have patent protection.

Much of BioExx's know-how and technology may not be patentable, though this know-how and technology may constitute valuable trade secrets. BioExx attempts to protect its trade secrets by entering into confidentiality agreements with employees, consultants and third parties. However, these agreements might be breached and, if they are, there may not be an adequate remedy available to BioExx. Also, BioExx's trade secrets might become known to a third party through means other than by breach of its confidentiality agreements, or they could be independently developed by its competitors. If BioExx's trade secrets become known, its business and competitive position could be adversely affected.

(viii) Processing and Supply Risks

BioExx's processing business is dependent, among other things, on a stable and long-term supply of the particular solvents and chemicals it uses in its processes. The particular solvents and chemicals used in particular processes may also change from time to time, and the amounts consumed in these processes may also change. Interruptions in supply may occur due to regulatory changes, environmental laws, or if BioExx is unable to find and secure contractual business relationships with suppliers, or if it is unable to obtain such relationships on appropriate and acceptable commercial terms. This could result in plant shutdowns, production delays and higher processing costs. Higher processing costs will negatively impact profitability if they cannot be passed on to customers. The economics of BioExx's processing facilities are also dependent on a

number of other key inputs and their related costs, including processing feedstock, labour and electricity. Any significant interruption or negative change in the economics of the supply chain for key inputs could materially impact the business, financial condition, and operating results of BioExx.

(ix) Regulatory Approvals

Certain intended BioExx markets are subject to a high degree of regulation, including pharmaceuticals, nutraceuticals, and food processing. Regulatory changes to these various markets may materially impact BioExx's ability to sell its services to these markets or to do so in a profitable manner. As regulation impacts customer requirements with respect to the particular raw material ingredients used and the specifications with respect to composition of processed materials, BioExx's intended markets could be highly susceptible to changes in regulation. Moreover, these regulations may be different across each country in which BioExx sells or operates. Regulatory changes are a matter over which BioExx can be considered to have no control, and there can be no assurance that regulatory changes applicable to BioExx's customers will not negatively impact the business, financial condition, and operating results of BioExx.

(x) Hazardous Goods and Environmental Matters

Certain BioExx processing operations may involve the use of particular solvents, raw materials, and byproducts which are not generally regarded as safe or which are regarded as hazardous goods. In each jurisdiction in which BioExx operates, there are various regulations and laws governing the use, manufacturing, storage, handling, and disposal of such solvents, raw materials, and byproducts. Although BioExx believes that its safety procedures for handling and disposing of such materials comply with the standards prescribed by applicable laws and regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. Should this occur, BioExx could be held liable for any damages that result, and any such liability could exceed its resources. Although BioExx believes that it is in compliance with environmental laws and regulations, there can be no assurance that applicable regulations will not change and that such changes will not require BioExx to incur significant costs for solvent modifications, process modifications, and environmental control facilities. Such costs and changes could have a materially adverse impact on the business, financial condition, and operating results of BioExx.

(xi) Commercial Scale Facility Risks

BioExx has never constructed or operated a full commercial-scale processing facility, and its Saskatoon plant is presently only in the initial stages of starting up protein production operations. While BioExx believes the risks associated with completing and operating Saskatoon and larger facilities are manageable, there can be no assurance that BioExx will be able to successfully construct and operate facilities for extended periods of time with the performance levels and economics required to earn a profit and to meet the needs of its markets and customers. Any inability to do so could have a materially adverse impact on the business, financial condition, and operating results of BioExx.

(xii) Legal Proceedings

In the course of BioExx's business, BioExx may from time to time have access to confidential or proprietary information of third parties, or it may independently develop technologies to which third parties purport to have a prior claim, and these parties could bring a claim against BioExx asserting that it has misappropriated their technologies or is otherwise in violation of their proprietary claims. Due to these factors, there remains a constant risk of intellectual property litigation affecting BioExx's business. In the future, BioExx may be made a party to litigation involving intellectual property matters and such actions, if determined adversely, could have a material adverse effect on BioExx.

(xiii) Research and Development Activities

It is important for BioExx to continue to invest steadily in research and development. However, because BioExx competes in a constantly evolving market, it may pursue research and development projects that do not result in viable commercial products. In addition, BioExx has in the past, and may in the future, terminate research efforts in a particular area after it has made substantial initial funding commitments in that area. Any failure to translate research and development expenditures into successful new product introductions could have an adverse effect on BioExx's business.

(xiv) Future Growth

BioExx's ability to achieve its expansion objectives and to manage its growth effectively depends upon a variety of factors, including but not limited to BioExx's ability to raise additional capital to fund operations and capital expenditures, to internally develop products, to attract and retain skilled employees, to successfully position and market its products, to identify and acquire technologies and intellectual property rights from third parties, and to protect its existing intellectual property. To accommodate growth and compete effectively, BioExx will be required to improve its information systems, create additional procedures and controls and expand, train, motivate and manage its work force. BioExx's future success will depend in part on the ability of current and future management personnel to operate effectively, both independently and as a group. There can be no assurance that BioExx's personnel, systems, procedures and controls will be adequate to support its future operations.

(xv) Business Combinations

BioExx may, in the future, pursue acquisitions of other complementary businesses and technology licensing arrangements. BioExx also intends to pursue strategic alliances and joint ventures that leverage its core technology and industry experience to expand its product offerings and geographic presence. BioExx has limited experience with respect to acquiring other companies and limited experience with respect to forming collaborations, strategic alliances and joint ventures. If BioExx were to make any acquisitions, it may not be able to integrate these acquisitions successfully into its existing business and could assume unknown or contingent liabilities. Any future acquisitions BioExx makes could

BioExx Specialty Proteins Ltd. - Management Discussion & Analysis

For the three and nine month periods ended **September 30, 2011**

also result in large and immediate write-offs or the incurrence of debt and contingent liabilities, any of which could harm BioExx's operating results. Integrating an acquired company also may require management resources that otherwise would be available for ongoing development of BioExx's existing business. BioExx may not identify or complete these transactions in a timely manner, on a cost-effective basis, or at all, and BioExx may not realize the anticipated benefits of any acquisition, technology license or strategic alliance.

(xvi) Reliance on Third Parties

BioExx relies on third party suppliers for various research and development, engineering, and other professional consulting services. BioExx also relies on third party suppliers for many of its raw materials and product components, in particular those components required for the construction and operation of its extraction facilities. Some of these components may only be available from a single supplier or a limited group of suppliers, either because the market for these components is too small to support multiple suppliers or because the components are protected by patents, in which case there may only be a single supplier for the covered components. BioExx's reliance on outside vendors generally, and a sole supplier or a limited group of suppliers in particular, involves several risks, including:

- an inability to obtain an adequate supply of required components due to manufacturing capacity constraints, the discontinuance of a product by a third-party manufacturer, an acquisition of the manufacturer by one of BioExx's competitors or other supply constraints;
- delays and long lead times in receiving materials from vendors; and
- reduced control over quality and pricing of components.

If a sole source third party supplier were to go out of business, BioExx might be unable to find a replacement for such source or it might take several months to be able to make the substance or component internally. If a sole source third party supplier were to be acquired by a competitor, that competitor may elect not to sell to BioExx in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, and operating results of BioExx.

Evaluation of Disclosure Controls and Internal Controls

There have been no changes in the Company's internal control over financial reporting that occurred during the year that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

It should be noted that all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Forward-Looking Information

This MD&A and the documents incorporated by reference herein contain forward-looking statements. When used in this short form prospectus, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “seek”, “propose”, “estimate”, “expect”, “continue” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect BioExx’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including, without limitation, those described herein and under the heading “Risk Factors” and in the Company’s AIF. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in any forward-looking statements, such as the economy, generally, competition in its target markets, the demand for BioExx’s products, the availability of funding, the efficacy of its technology, and the anticipated costs of BioExx’s plant construction and operation. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this short form prospectus as intended, planned, anticipated, believed, estimated or expected and such forward-looking statements included in this short form prospectus or the documents incorporated by reference herein should not be unduly relied upon. These statements speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference herein, as the case may be. **Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this MD&A and the documents incorporated by reference herein are expressly qualified by this cautionary statement. BioExx does not undertake any obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities laws.**