



NOVEKO
INTERNATIONAL INC.

Management's Report
Fiscal Year Ended June 30, 2008

PURPOSE AND BASIS OF PRESENTATION

Management's Report is designed to assist investors in understanding the nature and the importance of the changes and trends, as well as the risks and uncertainties associated with the operations and financial position of Noveko International Inc. ("the Company"). This Management's Report presents an analysis of the Company's operations for the fiscal year and the fourth quarter ended June 30, 2008, in comparison with the corresponding periods ended June 30, 2007, as well as its cash flows and changes in financial position between those dates. Management's Report should be read in conjunction with the audited consolidated financial statements and accompanying notes for the fiscal year ended June 30, 2008.

Supplementary information about the Company, including amended and restated management's reports and management's reports on the interim periods closed during the fiscal year ended June 30, 2008, previous annual reports and press releases, is available on SEDAR's website (www.sedar.com) and the Company's website (www.noveko.com).

In this Management's Report, "the Company" designates, as the case may be, Noveko International Inc. or Noveko International Inc. and its subsidiaries and divisions, and "Noveko" designates Noveko Inc.

The information contained in this Management's Report accounts for any major event occurring prior to October 24, 2008, the date on which the Board of Directors approved the unaudited financial statements and the Management's Report for the fiscal year ended June 30, 2008. They present the Company's status and business context as they were, to management's best knowledge, at the time this report was written.

Unless otherwise indicated, the financial information presented in this report, including tabular amounts, is expressed in Canadian dollars. The Canadian dollar is also the Company's measurement currency. Unless otherwise indicated, the analysis of results for the reporting period is made in comparison with results for the equivalent period of the previous year.

Compliance with Canadian GAAP

Unless otherwise indicated, the financial information presented in this Management's Report, including tabular amounts, is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The information contained in Management's Report and certain other sections of this report also includes some figures that are not performance measures consistent with GAAP, such as earnings (loss) before amortization, financial expenses, other non-cash items and income taxes ("EBITDA"). The Company uses EBITDA because this measure enables management to assess the Company's operational performance. This measure is a widely accepted financial indicator of a company's ability to repay and assume debt. Investors should not regard it as an alternative to operating revenues or cash flows, or a measure of liquidity. As EBITDA is not established in accordance with GAAP, it might not be comparable to the EBITDA of other companies.

Use of Estimates and Forward-Looking Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses.

Critical items of the financial statements that require the use of estimates include the determination of the allowance for doubtful accounts, the determination of the allowance for inventory obsolescence, the determination of the useful life of fixed and intangible assets for amortization calculation purposes, the assumptions used for fixed asset, intangible asset and goodwill impairment tests, the determination of the allowance for guarantees, the determination of the allowance for income taxes, the assumptions used in the determination of stock-based compensation expense, the determination of the fair value of financial instruments, the determination of the fair value of the assets and liabilities acquired on business acquisitions and the implicit fair value of goodwill. Income tax credits refundable are also subject to certain estimates and assumptions. These tax credits are subject to review and approval by fiscal authorities. Actual results may differ from these estimates.

The statements set forth in this Management's Report and certain other sections of this report that describe the Company's objectives, projections, estimates, expectations or forecasts may constitute forward-looking statements within the meaning of securities legislation. Positive or negative verbs such as "plan", "evaluate", "estimate" and "believe" as well as other related expressions are used to identify such forward-looking statements. The Company's management would like to point out that, by their very nature, forward-looking statements involve a number of known and unknown risks and uncertainties such that the Company's actual and future results could differ materially from those indicated. There can be no assurance as to the materialization of the results, performance or achievements as expressed in or underlying the forward-looking statements. Unless required to do so pursuant to applicable securities legislation, the Company's management assumes no obligation as to the updating or revision of the forward-looking statements as a result of new information, future events or other changes.

DESCRIPTION OF THE COMPANY AND ITS SUBSIDIARIES

The Company is a holding company whose subsidiaries specialize in the following business segments:

- the development, manufacturing and marketing of medical equipment;
- the custom processing and distribution of steel products; and
- the development and marketing of products in the biomedical and environmental fields.

Origin of the Company

The activities of Noveko (then designated “Noveko Echographs Inc.” and today a subsidiary of the Company) began in 2002. At the time a private issuer, Noveko specialized in the design, development and marketing of portable real-time ultrasound scanners for use in veterinary and human medicine. In 2004, Noveko’s shareholders sold their shares to an inactive mining company (the “dormant company”) listed on the TSX Venture Exchange, as part of a reverse take-over. Effective February 3, 2004, upon the closing of the reverse takeover, the Company’s Class A shares (specifically those previously issued by the dormant company and those issued to the shareholders of Noveko pursuant to the acquisition thereof by the dormant company) were listed on the TSX Venture Exchange (ticker symbol EKO).

Acquisition of a Competitor

In November 2004, the Company acquired all the outstanding shares of its main competitor at the time, the French company S.A.S. E.C.M. (“ECM”). All the activities related to the design and production of portable real-time ultrasound scanners were gradually transferred to ECM. Noveko Inc. continued to ensure the after-sales service for the ultrasound scanners sold until the spring of 2008.

Strategic Shift

In December 2005, the Company, which was seeking other acquisition opportunities, announced its intention to acquire Bolduc Leroux Inc. (“BLI”), a company specializing in steel distribution and processing that also held the intellectual property rights to an antimicrobial filtration technology for face masks and air filters. This acquisition, closed in April 2006, enabled the Company to increase its revenues and working capital with the steel distribution and processing operations and, above all, gave it the opportunity to penetrate the segment of biomedical and environmental activities related to this antimicrobial filtration technology. In June 2006, the *US Patent and Trademark Office* granted BLI the patent for this technology. Several other patents for this technology have been obtained in other jurisdictions since then.

Subsequent to the recent acquisitions and the hiring of several people at the management level, the Company focused its priorities on increasing the sales of its subsidiaries in each of the group’s business segments. It also remains on the lookout for further acquisition opportunities in its current or related business segments, with the objective of increasing the group’s revenues and profitability.

Highlights of the Past Two Fiscal Years and Subsequent Events

Acquisitions

In July 2007, the Company acquired Laboratoire SyMa Inc. (“SyMa”), a company specializing in the manufacture of sanitizers, more specifically the antimicrobial products marketed under the Azuro™ brand. This acquisition is fully consistent with its objective of developing its line of antimicrobial products.

In June 2008, the Company acquired Magnum Pharmaceuticals Inc. (“Magnum”), a specialized management services company focused on partnering with small to medium-sized pharmaceutical, over-the-counter drug and medical device manufacturers and distributors. Along with the activities specific to Magnum, the Company gained a complete marketing team for its own products.

Subsequent to the end of the fiscal year as at June 30, 2008, the Company closed four new acquisitions: (i) Groupe Conseils Micron-Air Inc. (“Micron-Air”), a designer and manufacturer of air quality systems marketed under the EPURAIR™ brand and targeted to the residential and commercial market. One of the objectives of this acquisition is to develop products combining the characteristics specific to Micron-Air’s products with Noveko’s antimicrobial filtration technology; (ii) Unitam International Management Corporation Inc., an agency focused on the development of international business services primarily for Canadian and Asian companies, and which already acted as a consultant to the Company; (iii) SARL Noveko Algérie, a medical equipment import company based in Algeria; and (iv) Purer Life Technology Co. Ltd (and an entity of the same group U-Bond Inc.) (collectively “Purer”), a filtration fabric development and manufacturing company that holds the rights to seven types of patents issued in Taiwan, China and the United States (for a total of 10 patents) and the intellectual property rights to 15 patent applications either in Taiwan or internationally, under the Patent Cooperation Treaty (PCT). One of the objectives of this latest acquisition is to ensure the combination of Purer’s 3-D filter technology with the Company’s antimicrobial filtration technology.

Products

Ultrasound Scanners

During fiscal 2007-2008, ECM obtained ISO 9001 and 13485 certifications, and was also granted CE medical certification for the Imagyne ultrasound scanner – a 32-channel portable device allowing the use of probes of 128 elements for an accurate reading of organs – and began marketing it in June 2008. Then, in October 2008, ECM marketing its portable ultrasound scanner VSCAN (Virtual Scan), a device used to rapidly and economically detect pregnancy in sows.

Face Masks

In November 2006, Noveko announced that the tests conducted by Microbial Resolution (Massachusetts) under the supervision of Dr. Konstantin Goranov, PhD in Polymer Chemistry (then a consultant of the Company and now its Chief Technology Officer) had proved the 99.98% effectiveness of the antimicrobial technology developed by Noveko on some 200 bacterial colonies tested.

In February 2007, Noveko began the initial production of antimicrobial face masks. Part of this production was used for the needs of the FDA 510(K) certification application file.

In May 2007, Noveko filed a preliminary application with the *US Food and Drug Administration* (the “FDA”) for its Noveko™ 3xEZ antimicrobial face masks and obtained a pre-IDE (investigational device exemption) number to complete its submission. Noveko completed the final test protocols in cooperation with CIBA® Experts Services and Nelson Laboratories (Utah, U.S.A), two firms accredited by the FDA.

In September 2008, the FDA granted a 510(K) identification number for the 3xEZ antimicrobial face mask (surgical face mask), which means that, in principle, its application in regard to this face mask is now complete. However, the FDA reserves the right to require additional information prior to approving, or not, the use of this face mask in the United States – which it has done since then.

In August 2007, Noveko was granted an establishment licence by Health Canada, giving it the green light for the Canadian marketing of its antimicrobial face masks to healthcare institutions, government organizations, civil relief units and the general public. One year later, in July 2008, Noveko obtained CE Marking for its antimicrobial face masks.

Air Filters

In December 2007, Noveko announced the results of a complete series of tests jointly conducted by Dr. Laura Batista of the Faculty of Veterinary Medicine of the Université de Montréal and the Centre de développement du porc du Québec inc. (CDPQ). This study proved that the Noveko™ antimicrobial air filter can prevent airborne introduction to swine facilities of the virus causing the porcine reproductive and respiratory syndrome (PRRS). According to the Faculty of Veterinary Medicine of the Université de Montréal (2007), this virus infects up to 90% of swine herds in certain regions having a large animal population and causes annual losses of several hundred million dollars for the global swine industry.

Sanitizers

In November 2007, SyMa was issued a Health Canada establishment licence and DIN (drug identification number) for the Azuro™ Medical, allowing it to sell this product in healthcare institutions in Canada. It also received FDA authorization to market its Azuro™ products in the United States.

Marketing

Air Filters

In April 2007, Noveko announced the signature of an exclusive distribution agreement with Monitrol Inc. (“Monitrol”) (Boucherville, Quebec), a North American leader in ventilation management software and hardware for farm buildings, under which Monitrol acts as the exclusive distributor of Noveko’s patented antimicrobial air filters for the hog and poultry breeding markets in North America.

In October 2007, Noveko signed an agreement with China National Service Corporation (“CNSC”), one of China’s most prominent state-owned companies, dealing with the businesses of international cooperation, service and Chinese government sponsored projects worldwide. This agreement aims to promote Noveko’s antimicrobial filtration technology to all levels of Chinese government and its related food and health organizations, to obtain the government authorizations required for the marketing of Noveko’s antimicrobial face masks and antimicrobial air filters, and to develop the supporting sales and distribution channels in China. CNSC is also responsible for providing Noveko with monitoring and enforcement services in the Chinese market to prevent any infringement of Noveko’s intellectual property rights and trademarks.

In October 2007, Noveko signed a cooperation agreement with the Ma’anshan Agriculture Committee (Anhui Province, China) to equip a first hog farm with Noveko™ antimicrobial air filters in order to demonstrate this technology’s performance and to market it on a larger scale. In this regard, in May 2008, Noveko proceeded, jointly with the Ma’anshan Agriculture Committee and Monitrol Inc., with the official commissioning of two hog and poultry breeding buildings. These farm buildings have been fully biosecured, at the air intake level, by Noveko™ antimicrobial air filters, and equipped with automated ventilation systems installed by Monitrol. The design and execution of the work was carried out under the supervision of Mr. Francis Pouliot of the Centre de développement du porc du Québec. The two buildings will be used by CNSC as demonstrators to market Noveko™ air filters and Monitrol equipment to Chinese hog and poultry breeders.

Face Masks

In January 2008, Noveko signed an exclusive agreement with A.R. Medicom Inc. under which Medicom manufactures antimicrobial surgical masks using Noveko Inc.’s patented antimicrobial technology and ensures the distribution of these face masks to the dental care market in Canada and the United States.

In April 2008, Noveko signed a distribution agreement with Formedica under which Noveko™ antimicrobial surgical face masks and antimicrobial respirator face masks are distributed in drugstores across Quebec and superstores across Canada.

In July 2008, Noveko signed a distribution agreement with Medi-Select to formalize their partnership initiated in August 2007 and aimed at the distribution of Noveko™ antimicrobial surgical face masks and antimicrobial respirator face masks in Quebec.

Financing

To finance its activities, including the foregoing acquisitions, the Company concluded various financing arrangements. Thus, after arranging a first financing by way of convertible debentures with the Quorum Group in 2005 (\$3.0 million), the Company concluded a second \$2.2 million financing arrangement, also by way of convertible debentures. These debentures bear interest at a rate of 8% per annum and are totally or partially convertible into Class A shares at the price appearing in note 20 accompanying the consolidated financial statements as at June 30, 2008 of the Company. During the fiscal year ended June 30, 2008, debentures for a total of \$2,124,586 were converted into 2,347,729 Class A shares. Subsequent to June 30, 2008, debentures for a total of \$1,000,000 were converted into 800,000 Class A shares. The balance of these convertible debentures issued in 2005 and 2006 is \$1,987,414.

During the fiscal year ended June 30, 2007, the Company also carried on the private placement of units, at a price of \$0.50 per unit, begun the previous year. Each unit includes one Class A share and one-fifth of a warrant, each complete warrant allowing for the purchase of a single Class A share at a price of \$1.00 per share for a period of two years. During the fiscal year ended June 30, 2007, 1,800,000 units were thus placed for a total of \$900,000. All these warrants have been exercised since then.

In May 2007, Noveko issued 9,200,000 units for a total cash consideration of \$23.0 million. Each unit included one Class A share and one-half of a warrant, each complete warrant allowing for the purchase of a single Class A share of the Company at a price of \$3.35 per share for a period of 24 months following their issuance, unless the Company exercised its prerogative to reduce the exercise period. The Company acted on this prerogative and the warrant exercise period expired on June 30, 2008. The Company thereby raised an additional total of \$17,508,775 subsequent to the exercise of these warrants.

Effective July 28, 2008, the Company's Class A shares were listed on the Toronto Stock Exchange (ticker symbol EKO) and ceased trading on the TSX Venture Exchange. However, as at June 30, 2008, the Company was still an emerging issuer within the meaning of the applicable securities legislation.

SELECTED CONSOLIDATED ANNUAL INFORMATION

(in thousands of \$, except per-share amounts)

Fiscal Years Ended June 30,	2008 ⁽¹⁾	2007	2006
Revenues	14,516	12,845	7,666
Gross margin	4,988	4,771	3,677
Loss before amortization, financial expenses, other item and income taxes	(14,206)	(2,409)	(1,206)
Net loss	(16,613)	(4,623)	(2,496)
Loss per Class A share (basic and diluted)	(0.30)	(0.11)	(0.08)
Weighted average number of Class A shares outstanding basic and diluted (in thousands)	54,767	41,650	29,992
Balance Sheet Data (as at June 30,)			
	2008	2007	2006
Total assets	62,858	42,243	25,940
Shareholders' equity	49,773	27,351	8,359
Total interest-bearing debt ⁽²⁾	7,860	8,367	10,394
Cash, cash equivalents, short-term investments and cash in trust	25,386	16,960	632

(1) The consolidated financial statements for the fiscal year ended June 30, 2008 include the financial statements of the Company and its wholly-owned subsidiaries Noveko Inc., S.A.S. ECM, Bolduc Leroux Inc., Laboratoire SyMa Inc., Noveko Trading 2008 LLC and Magnum Pharmaceuticals Inc. (the reader is referred to the "Highlights" section of this Management's Report).

(2) Including long-term debt and its current portion, bank advances and bank loan, as well as convertible debentures.

OPERATING RESULTS

Analysis of Consolidated and Segmented Operating Results for the Fiscal Year Ended June 30, 2008 Compared with the Fiscal Year Ended June 30, 2007

Consolidated and Segmented Revenues

(in dollars)

Fiscal Years Ended June 30,	2008	2007
Manufacturing and distribution of medical equipment (segment comprising the subsidiaries ECM and Noveko)	6,768,110	6,798,585
Processing and distribution of steel products (segment comprising the subsidiary BLI)	7,087,625	5,977,558
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko, SyMa and Magnum)	659,853	-
Other (segment comprising Noveko International Inc. and Noveko Trading)	-	68,572
Total	14,515,588	12,844,715

Consolidated revenues grew by 13.0% to \$14.5 million for the fiscal year ended June 30, 2008. This growth is due mainly to the increase in BLI's revenues and the contribution of the biomedical and environmental activities, whereas ECM's revenues remained relatively stable compared with the previous year.

BLI achieved significant sales growth during the year, as its revenues grew by \$1.1 million or 18.6%. This increase is due to its market development efforts which enabled it to conclude new larger-scale contracts. Despite the slowdown in the hog market and the marketing of a new generation of ultrasound scanners for use in veterinary and human medicine, ECM's revenues declined just slightly compared with the previous year. The launch of these new products was postponed to the beginning of the third quarter. ECM is now positioned to benefit from its return to growth in upcoming periods. Revenues of the biomedical and environmental activities mainly reflect the contributions of the new subsidiaries as well as that of Noveko, which began delivering Canadian orders for antimicrobial air filters and face masks in the third quarter.

Selling and administrative expenses increased by 69.2% to \$10.8 million, due mainly to the following factors:

- the expenses related to the accelerated marketing of the derivative products from the antimicrobial filtration technology, specifically antimicrobial face masks and air filters, whereas these initiatives had just started at the end of the previous year; and
- the increase in the group's total payroll subsequent to the strengthening of the team at different levels of responsibility and the acquisitions closed during the year.

Stock-based compensation represented an expense of \$7.4 million for the fiscal year ended June 30, 2008, compared with \$0.7 million for the previous year. During fiscal 2007-2008, the Company granted stock options to employees and consultants, entitling them to acquire a total of 2,900,000 Class A shares at a weighted average exercise price of \$6.51 per share with a vesting period extending over 18 months – whereas during the previous year, it had granted stock options allowing the purchase of 4,250,000 Class A shares at a weighted average exercise price of \$1.19 per share.

Loss before Amortization, Financial Expenses, Other Item and Income Taxes

(in dollars)

Fiscal Years Ended June 30,	2008	2007
Manufacturing and distribution of medical equipment (segment comprising the subsidiaries ECM and Noveko)	(1,425,159)	159,212
Processing and distribution of steel products (segment comprising the subsidiary BLI)	(214,301)	123,086
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko, SyMa and Magnum)	(3,830,535)	(943,736)
Other (segment comprising Noveko International Inc. and Noveko Trading)	(8,735,574)	(1,747,360)
Total	(14,205,569)	(2,408,798)

Considering the aforementioned factors, the Company incurred **an operating loss before amortization, financial expenses, other item and income taxes** of \$14.2 million, compared with an operating loss of \$2.4 million for the previous year. ECM incurred an operating loss of \$1.4 million, as opposed to EBITDA of approximately \$0.2 million for the previous year, due to the costs related research and development and the marketing of its new generation of ultrasound scanners as well the hiring of human resources in anticipation of future growth. For its part, BLI recorded an operating loss before amortization, financial expenses, other item and income taxes of \$0.2 million, as opposed to EBITDA of \$0.1 million for the previous year. BLI's profit margin declined during the fourth quarter as it had to outsource subsequent to the increase in its order backlog; it also sustained a loss on a major contract. As mentioned in other management's reports for its interim periods throughout the fiscal year, Noveko focused its efforts on finalizing its file in view of obtaining FDA approval, penetrating markets and organizing the production of its antimicrobial face masks and air filters. Thus, the biomedical activities posted a loss of \$3.8 million, compared with \$0.9 million for the previous year. The loss before amortization, financial expenses, other item and income taxes stemming from Noveko International Inc. and Noveko Trading amounted to \$8.7 million, compared with \$1.7 million for the previous year; this increase is due mainly to the stock-based compensation expense of \$5.5 million, as well as the expenses related to the acquisitions that the Company closed during and subsequent to the end of the year.

Amortization expenses stood at \$0.9 million, remaining practically at the same level as the previous year.

Financial expenses decreased to \$0.2 million from \$1.4 million for the fiscal year ended June 30, 2007. This sharp decline is due mainly to investment income of \$0.7 million, as opposed to a nil amount for the previous year, and a repayment of long-term debt during fiscal 2007-2008.

Net Loss

(in dollars)

Fiscal Years Ended June 30,	2008	2007
Manufacturing and distribution of medical equipment (segment comprising the subsidiaries ECM and Noveko)	(1,564,169)	(445,485)
Processing and distribution of steel products (segment comprising the subsidiary BLI)	(2,542,660)	(588,051)
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko, SyMa and Magnum)	(3,810,198)	(1,001,431)
Other (segment comprising Noveko International Inc. and Noveko Trading)	(8,696,361)	(2,588,255)
Total	(16,613,388)	(4,623,222)

The net loss amounted to \$16.6 million for the year, compared with a net loss of \$4.6 million for the previous year, mainly on account of the aforementioned factors and a goodwill impairment charge of \$1.9 million with respect to BLI — the Company carried out an assessment of the fair value of this subsidiary's intangible assets, including its goodwill by means of impairment tests. Since BLI's fair value is below its book value, the Company recorded a corresponding impairment loss on this intangible asset. In addition, the Company recognized income tax recoveries of approximately \$0.2 million for the current fiscal year and future income tax charges of \$0.5 million. Considering a net change in unrealized gains on translation of financial statements of self-sustaining foreign operations of \$0.8 million for the year, compared with \$45,444 a year earlier, a net loss of \$15.8 million represented **the comprehensive loss** for the current fiscal year, compared with \$4.6 million last year (the reader is referred to note 2(a) *Comprehensive Income* accompanying the financial statements contained in this report).

The loss per Class A share (basic and diluted) amounted to \$0.30 on a weighted average of 54,767,174 outstanding shares, compared with a loss per share of \$0.11 on a weighted average of 41,649,795 shares for the previous year. The increased weighted average number of outstanding shares is due to the various share issues during the fiscal year ended June 30, 2008, as described in detail in note 22 ("Capital Stock") accompanying the financial statements.

Principal Quarterly Financial Information (Unaudited)

(in thousands of \$, except per-share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2008				
Revenues	2,802	3,809	3,560	4,345
Net loss	(2,195)	(2,962)	(3,844)	(7,612)
Comprehensive loss	(2,298)	(2,795)	(2,999)	(7,715)
Loss per Class A share (basic and diluted)	(0.04)	(0.06)	(0.07)	(0.13)
Fiscal 2007				
Revenues	2,888	3,474	3,440	3,043
Net loss	(358)	(340)	(1,602)	(2,323)
Loss per Class A share (basic and diluted)	(0.01)	(0.01)	(0.04)	(0.05)
Fiscal 2006				
Revenues	1,293	1,809	1,807	2,757
Net loss	(300)	(568)	(354)	(1,274)
Loss per Class A share (basic and diluted)	(0.01)	(0.02)	(0.01)	(0.04)

Analysis of Consolidated and Segmented Operating Results for the Fourth Quarter Ended June 30, 2008 Compared with the Fourth Quarter Ended June 30, 2007

Consolidated and Segmented Revenues

(in dollars)

Quarters Ended June 30,	2008	2007
Manufacturing and distribution of medical equipment (segment comprising the subsidiaries ECM and Noveko)	1,964,488	1,538,127
Processing and distribution of steel products (segment comprising the subsidiary BLI)	2,163,821	1,436,182
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko, SyMa and Magnum)	216,252	-
Other (segment comprising Noveko International Inc. and Noveko Trading)	-	68,572
Total	4,344,561	3,042,881

Consolidated revenues grew by 42.8% to \$4.3 million for the fourth quarter ended June 30, 2008. This growth is due to a 50.7% or \$0.7 million increase in BLI's revenues thanks to its market development efforts, a 27.7% or \$0.4 million increase in the revenues of ECM which has started to reap the initial benefits of marketing its new generation of ultrasound scanners, a \$0.2 million contribution by the biomedical activities stemming from the new subsidiaries and the first sales of Noveko™ antimicrobial face masks and air filters.

Loss before Amortization, Financial Expenses, Other Item and Income Taxes

(in dollars)

Quarters Ended June 30,	2008	2007
Manufacturing and distribution of medical equipment (segment comprising the subsidiaries ECM and Noveko)	(1,229,847)	(1,122,832)
Processing and distribution of steel products (segment comprising the subsidiary BLI)	(744,673)	(82,312)
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko, SyMa and Magnum)	(939,588)	(259,952)
Other (segment comprising Noveko International Inc. and Noveko Trading)	(2,894,710)	(387,515)
Total	(5,808,818)	(1,852,611)

The operating loss before amortization, financial expenses, other item and income taxes amounted to \$5.8 million for the fourth quarter, compared with \$1.9 million for the corresponding quarter of the previous year. ECM's operating loss increased by \$0.1 million as a result of the costs incurred for the marketing of its new ultrasound scanners and the strengthening of its team compared with the corresponding period of the previous year. BLI's operating loss increased by approximately \$0.7 million due to the fact that it of outsource part of its new contracts while also sustaining a loss on a major contract. The operating loss of the biomedical activities increased by approximately \$0.7 million due to the fact that Noveko is starting to record its first sales while pursuing its market development and working on its FDA file. The loss before amortization, financial expenses, other item and income taxes stemming from Noveko International Inc. and Noveko Trading increased by \$2.5 million over the fourth quarter of the previous year due to the rise in stock-based compensation expense, as aforementioned, the strengthening of the management team and the expenses related to acquisitions that the Company closed during the fourth quarter and subsequent thereto.

Net Loss

(in dollars)

Quarters Ended June 30,	2008	2007
Manufacturing and distribution of medical equipment (segment comprising the subsidiaries ECM and Noveko)	(1,242,052)	(1,099,558)
Processing and distribution of steel products (segment comprising the subsidiary BLI)	(2,457,776)	(289,427)
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko, SyMa and Magnum)	(881,291)	(274,376)
Other (segment comprising Noveko International Inc. and Noveko Trading)	(3,030,730)	(658,972)
Total	(7,611,849)	(2,322,333)

The fourth-quarter **net loss** amounted to \$7.6 million, compared with \$2.3 million for the corresponding quarter of the previous year, mainly on account of the aforementioned factors and a goodwill impairment charge of \$1.9 million with respect to BLI, as mentioned previously for the net loss for the fiscal year ended June 30, 2008. Considering a net change in losses on translation of financial statements of self-sustaining foreign operations of \$0.1 million for the quarter, as opposed to \$0.5 million for the fourth quarter of the previous year, a net loss of \$7.7 million represented the **comprehensive loss** for the fourth quarter, compared with \$2.8 million for the corresponding quarter of the previous year.

The loss per Class A share (basic and diluted) amounted to \$0.13 on a weighted average of 58,407,108 outstanding shares, compared with a loss per share of \$0.05 on a weighted average of 44,400,510 shares for the fourth quarter of the previous year. The increased weighted average number of outstanding shares is due to the share issues over the past 12 months, as described in detail in note 22 (“Capital Stock”) accompanying the financial statements.

FINANCIAL POSITION

Analysis of Principal Cash Flows for the Fiscal Year Ended June 30, 2008

(in dollars)

Fiscal Years Ended June 30,	2008	2007
Operating activities		
Net loss	(16,613,388)	(4,623,222)
Adjustments for future taxes, accreted interest on debentures, stock-based compensation, amortization, foreign exchange loss (gain), loss on fair value of short-term investments and goodwill impairment charge	10,367,286	2,065,033
Net change in non-cash working capital	(3,488,701)	(311,478)
Total	(9,734,803)	(2,869,667)
Financing activities	21,728,766	20,434,010
Investing activities	(3,152,298)	(15,525,868)
Foreign exchange gain on cash in foreign currencies	84,176	3,925
Increase in cash and cash equivalents	8,925,841	2,042,400
Cash and cash equivalents, end of year	11,594,335	2,668,494

For the fiscal year ended June 30, 2008, **operating activities**, after net change in non-cash working capital, used cash flows of \$9.7 million, compared with \$2.9 million for the previous year. This change is explained primarily by the increase in the net loss, less the adjustments for stock-based compensation, accreted interest on secured convertible debentures, amortization, loss on fair value of short-term investments, goodwill impairment charge and net change in non-cash working capital. Net change in non-cash working capital represented a cash outflow of \$3.5 million, compared with a cash outflow of \$0.3 million for the previous year. This variation is due mainly to an increase in accounts receivable and a growth in inventories, especially ECM’s new ultrasound scanners and BLI’s products in progress.

Financing activities for the year provided cash flows of \$21.7 million, compared with \$20.4 million for the previous year. This change is due primarily to the issue of Class A shares, net of share issue expenses, for an amount of approximately \$21.0 million. The year-to-date increase in the bank loan and net changes in bank advances represented a total of over \$1.6 million; this amount was used primarily to finance material for ECM and BLI orders in progress. The Company paid interest of more than \$0.2 million on secured convertible debentures, compared with more than \$0.4 million for the previous year; this change reflects the conversion of an amount of \$2.1 million in debentures into Class A shares. Finally, the Company made a net principal repayment on long-term debt of \$0.9 million during the year.

Investing activities used cash flows of \$3.2 million, including an amount of \$0.6 million paid in cash for the acquisition of SyMa at the end of July 2007 and of Magnum at the beginning of June 2008. In addition, a consideration of \$2.2 million was allocated to the purchase of a building housing the head office as well as office equipment and information technology, plus amounts of more than \$0.3 million in capitalized development costs and approximately \$1.6 million for the acquisition of Purer Life, closed subsequent to year-end. The Company also received short-term investments of \$66.9 million and acquired short-term investments of \$65.2 million, representing an actual divestment of \$1.7 million for the year.

Aggregate cash inflows and outflows provided net cash flows of \$8.9 million, compared with \$2.0 million for the previous year. The Company ended the fiscal year with **cash and cash equivalents** of \$11.6 million, compared with \$2.7 million as at June 30, 2007.

Balance Sheet Analysis as at June 30, 2008

Summary Balance Sheet

	As at June 30, 2008	As at June 30, 2007
Current assets	37,166,199	26,321,742
Long-term assets	25,692,091	15,921,281
Total	62,858,290	42,243,023
Current liabilities	6,628,943	6,329,012
Long-term liabilities	6,456,200	8,562,832
Shareholders' equity	49,773,147	27,351,179
Total	62,858,290	42,243,023

The changes in the Company's financial position between June 30, 2007 and June 30, 2008 notably reflect the period's results, the purchase of a building for a consideration of \$1.2 million and the acquisition of all the issued and outstanding shares of Laboratoire SyMa Inc., concluded on July 26, 2007, and of Magnum Pharmaceuticals Inc., on June 10, 2008. The SyMa acquisition was settled by a cash consideration of \$0.5 million and the issue of 745,156 Class A shares for an amount of \$4.9 million, whereas the Magnum acquisition was settled by the issue of 618,557 Class A shares for an amount of \$3.0 million.

These transactions explain the increase in fixed assets, intangible assets and goodwill over June 30, 2007, as detailed in note 4 accompanying the financial statements contained in this report.

As at June 30, 2008, **total assets** amounted to \$62.9 million, up by 48.8% or \$20.6 million over June 30, 2007. **Working capital** stood at \$30.5 million for a current ratio of 5.6:1 as at June 30, 2008, compared with \$20.0 million and a 4.2:1 ratio as at June 30, 2007.

As at June 30, 2008, **shareholders' equity** totaled \$49.8 million, compared with \$27.4 million as at June 30, 2007, primarily reflecting the \$36.5 million increase in capital stock subsequent to the Class A share issues and the \$6.6 million increase in contributed surplus, less the \$16.7 million increase in the fiscal year's deficit.

Indebtedness (\$)

	As at June 30, 2008	As at June 30, 2007
Bank advances and bank loan	1,674,100	18,287
Current portion of long-term debt	636,116	801,029
Long-term debt	3,086,827	3,158,442
Secured convertible debentures	2,462,909	4,389,576
Total debt	7,859,952	8,367,334

Considering the period's debt repayments, **long-term debt including the current portion** totaled \$3.7 million as at June 30, 2008, compared with \$4.0 million as at June 30, 2007. **Total interest-bearing debt** (consisting of bank advances and bank loan, current portion of long-term debt, long-term debt and secured convertible debentures) amounted to \$7.9 million as at June 30, 2008, compared with \$8.4 million as at June 30, 2007, a reduction of \$0.5 million reflecting the decrease of approximately \$2.0 million in convertible debentures from June 30, 2007, due mainly to the conversion of an amount of \$2.1 million in debentures into Class A shares, whereas bank advances and bank loan increased by \$1.6 million.

Capital Stock Information

During the fiscal year ended June 30, 2008, the Company issued 745,156 Class A shares for a total of \$4,932,933 in consideration of the acquisition of all the issued and outstanding shares of Laboratoire SyMa Inc., as well as 618,557 Class A shares for a total of \$3,009,279 in consideration of the acquisition of all the issued and outstanding shares of Magnum Pharmaceuticals Inc.

It also issued 1,188,404 Class A shares subsequent to the exercise of 1,188,404 stock options for a cash consideration of \$1,182,380 and a transfer of \$798,367 from contributed surplus, as well as 7,572,000 Class A shares subsequent to the exercise of 7,572,000 warrants for a cash consideration of \$19,820,000 and a transfer of \$4,568,449 from warrants.

In addition, the Company issued 2,347,729 Class A shares subsequent to the exercise of the conversion right of \$2,124,586 of convertible debenture. Amounts of \$1,894,533 and \$307,198 were transferred from the secured convertible debentures and from the portion of secured convertible debentures included in equity, respectively.

Considering these issues, the Company's capital stock consisted of 63,087,727 Class A shares as at June 30, 2008, compared with 50,615,881 as at June 30, 2007.

Other Contractual Commitments

As at June 30, 2008, the balance of contractual commitments under the terms of operating leases for premises maturing in 2016 amounted to \$1.0 million. Minimum lease payments over each of the next five years are as follows:

2009: \$407,323	2011: \$70,470	2013: \$68,951
2010: \$218,398	2012: \$68,951	

The Company is also committed to pay to a corporate shareholder exercising significant influence a quarterly royalty which represents the lower of \$45,000 or 25% of consolidated cash flows from operating activities if these cash flows exceed \$6.0 million. Under the terms of the agreement, the Company will continue to pay the royalties up to a maximum of \$520,000.

Finally, the Company is committed to pay a quarterly royalty of 1% of the gross revenues generated by the patent obtained in connection with the acquisition of BLI.

Related-Party Transactions

During the fiscal year ended June 30, 2008, the Company paid interest in the amount of \$847 (\$15,757 for the fiscal year ended June 30, 2007) to a corporate shareholder exercising significant influence. This amount was charged to financial expenses in the statement of operations. These transactions were concluded in the normal course of business and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

On July 17, 2007, the Company acquired a building from a company whose shareholder directors exercise significant influence on the Company. This acquisition, not in the normal course of business, was recorded at the market value determined by an independent real estate appraiser.

During the fiscal year ended June 30, 2008, the Company sold medical equipment for an amount of \$772,290 to a company whose shareholder directors exercise significant influence on the Company. These sales were charged to revenues in the statement of operations. These transactions were concluded in the normal course of business and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

Financial Instruments

The fair value of cash and cash equivalents, trade receivables, advances to shareholders, other receivables, interest receivable, bank advances and bank loan, and accounts payable and accrued liabilities, corresponds to their book value given their short-term maturities.

The fair value of the term loan of an initial amount of \$2,750,000 and the loans that bear interest at prime rate plus 2.0% to 3.0% with a book value of \$93,177 corresponds to their book value as a result of the variable interest rates associated therewith.

The fair value of other financial assets and liabilities appearing in the consolidated balance sheet is as follows:

	2008		2007	
	Book Value	Fair Value	Book Value	Fair Value
Short-term investments	\$12,516,884	\$12,516,884	\$14,291,887	\$14,291,887
Loans payable in Euros, interest at variable rates from 2.70% to 4.56%	\$ 894,223	\$ 828,274	\$1,220,681	\$1,147,561
Loans payable in Euros, interest at 5.00%	\$ -	\$ -	\$ 98,305	\$ 97,959
Loans payable in Euros, without interest	\$ 336,861	\$ 246,709	\$ 115,007	\$ 103,625
Convertible debentures	\$2,462,909	\$2,462,909	\$4,389,576	\$4,389,576
Loans under Canadian Immigrant Investor Program	\$ -	\$ -	\$3,087,423	\$3,087,423
Term loan of an initial amount of \$33,000	\$ 33,000	\$ 33,909	\$ -	\$ -
Loan bearing interest at 8.0%	\$ 66,146	\$ 66,295	\$ -	\$ -

Methods and assumptions by which the fair value of each financial instrument was estimated are as follows:

(i) Short-term investments:

The fair value is determined using the market price.

(ii) Loans payable in Euros and other loans bearing fixed interest rates:

The fair value is determined using the discounted future payments of principal and interest as mentioned in the loan agreements using interest rates that the Company can actually obtain on the market for the same or similar instruments.

(iii) Convertible debentures:

The book value approximates its fair value since the debentures have been discounted using an interest rate that the Company can actually obtain on the market for similar debentures with no conversion right.

Sources and Requirements of Funds in 2008-2009

Since its inception, the Company has had recourse to public investments and private placements to finance its growth. In order to finance its future projects, the Company will also use these sources of funds, although to a lesser extent. As it grows, it will be able to take advantage of debt financing that will have a less dilutive effect on shareholders' equity. In this regard, the Company has a credit facility of \$2 million which was unused as at June 30, 2008. This credit, bearing interest at the prime rate of the financial institution plus 0.5%, is secured by short-term investments and is renewable on an annual basis. ECM has a credit facility on demand of 50,000 Euros which was unused as at June 30, 2008. This credit bears interest at the prime rate of the financial institution plus 1.2%. BLI has a credit facility on demand of \$1,350,000, of which \$980,557 was used as at June 30, 2008. This credit, bearing interest at the prime rate of the financial institution plus 0.6%, is secured by a movable hypothec on the universality of receivables, by a first-ranking movable hypothec on the universality of inventories, by a 45% loan guarantee of Investissement Québec and by the guarantee of the Company. SyMa has a credit facility on demand of \$150,000, of which \$132,108 was used as at June 30, 2008. This credit, bearing interest at the prime rate of the financial institution plus 3.0%, is secured by a certificate of deposit held by the Company and is renewable on an annual basis. Magnum has a credit facility on demand of \$50,000 which was unused as at June 30, 2008. This credit, bearing interest at the prime rate of the financial institution plus 3.0%, is secured by a movable hypothec without dispossession on the universality of present and future assets and is renewable on an annual basis.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

As at June 30, 2008, the Company was an emerging issuer. As such, it could benefit from a relaxation of the rules regarding the attestation of disclosure controls and procedures and internal control over financial reporting.

Risks and Uncertainties

Competition-Related Risks

Worldwide, there are numerous manufacturers of ultrasound scanners, some of which are multinationals with much more substantial resources than ECM. These large corporations are not currently engaged in the same niches as ECM and their products do not offer the same features, such as portability, individual standby power supply and highly competitive prices. However, several smaller-scale entities offer products with similar features to ECM's and, as such, represent potential competitors in the various markets in which ECM is present, even though their number tends to decrease as markets gradually become more and more differentiated. ECM manages its risk by adopting a highly selective market strategy, steadily improving its products' advantages, and minimizing its manufacturing costs so as to offer clients an excellent quality/price value.

The derivative products from Noveko's patented antimicrobial technology, specifically antimicrobial face masks and air filters, have features that are unique worldwide. Noveko has protected its technology with patents and measures to safeguard its commercial secrets, thereby reducing the risk of product infringement. Nevertheless, Noveko could incur lawsuits should a company specializing in the production of face masks or air filters conduct false competition by selling counterfeit face masks or air filters or face masks or air filters falsely qualified as being similar to Noveko's.

Risks Related to the Ability to Meet Demand for Antimicrobial Products

The global market for antimicrobial face masks and air filters holds great potential that Noveko intends to develop without delay considering its products' unique advantages and the risk of epidemics or even pandemics. Noveko has entered into different strategic alliances for the production and marketing of its products. It is actively pursuing its initiatives to build up a reliable antimicrobial face mask and air filter production and distribution capacity in order to meet the demand resulting from its market development efforts. However, Noveko has just started operating in this field and there are risks that it might not suffice to meet demand as a result of a lack of production or distribution capacity in the event of epidemics or pandemics.

Risks Related to Steel Product Processing Operations

BLI is involved in the steel industry, which is subject to price fluctuations caused by supply and demand trends. Although BLI remains vulnerable to steel price fluctuations, it intends to moderate its risk by purchasing steel from large producers rather than local distributors.

With respect to industry-specific downturns that could result from macro-economic factors, BLI is protected by its diversified client base. BLI's clients operate in several different industries including structural construction, mining (trucks), bridge construction and machine shops.

Risks Related to International Development and Exchange Risks

Certain subsidiaries of the group sell a large proportion of their products to foreign markets and are therefore subject to the risks normally associated with doing business abroad, including the possibility of economic instability, hostile government interventions and fluctuations in exchange rates. More specifically, they are exposed to foreign exchange risks through their exports of goods manufactured in North America and Asia to the United States, Europe, Asia, Latin America and the Middle East. These risks are partially offset by their purchases in the United States. In addition, this risk is now reduced by the fact that some of their products are manufactured in France and Asia. The Company plans to use forward exchange contracts or other hedging programs to reduce its foreign exchange risk.

Credit Risks and Interest Rate Related Risks

The Company extends credit to its clients in the normal course of business. Credit checks are performed on a regular basis. It should be pointed out that most of the subsidiaries' clients are insured. As at June 30, 2008, the Company had a single major debt bearing interest at variable rates, the others being at fixed rates.

Dependence on Key Personnel

The group's administration is assured by a small number of key employees and the departure of any one of these employees could have an adverse impact for the Company. In addition, as the Company began operating in 2002, it has limited experience to assess its outlook. However, it has partially offset its risk by recruiting several employees with experience in its various business segments, management, development, accounting and internal control.

Changes in Accounting Policies

Effective July 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, *Comprehensive Income*, Section 3251, *Equity*, Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3861, *Financial Instruments – Disclosure and Presentation*, and Section 3865, *Hedges*. Changes in accounting policies in conformity with these new accounting standards are as follows:

(a) Comprehensive Income

Section 1530, *Comprehensive Income*, introduces the concept of comprehensive income, which is calculated by including other comprehensive income with net income. Other comprehensive income represents changes in shareholders' equity arising from transactions and other events with non-owner sources, such as unrealized gains and losses in financial assets classified as available for sale, changes in translation adjustment of self-sustaining foreign operations, and changes in fair value of effective portion of cash flow hedging instruments. With the adoption of this section, the consolidated financial statements now include consolidated statements of comprehensive income. The comparative statements were restated solely to include the translation adjustment of self-sustaining foreign operations as provided by transition rules.

(b) Financial Instruments

Sections 3855, *Financial Instruments – Recognition and Measurement*, and Section 3861, *Financial Instruments – Disclosure and Presentation*, describe standards for the classification, recognition, measurement, disclosure and presentation of financial assets, financial liabilities and derivatives. Under this standard, financial instruments are now classified as: held for trading, financial assets available for sale, investments held to maturity, loans and receivables, or other financial liabilities. The financial assets and liabilities are initially recorded at fair value. Transaction costs are expensed as incurred for financial instruments classified as held for trading. For other financial instruments, transaction costs are capitalized on initial recognition and presented as a reduction of the underlying financial instruments. The measurement of financial instruments in subsequent periods depends on how they were classified.

Financial assets and financial liabilities held for trading are measured at fair value with changes recognized in income. Available-for-sale financial assets are measured at fair value or at cost, in the case of financial assets that do not have a quoted market price in an active market, and changes in fair value are recorded in comprehensive income. Financial assets held to maturity, loans and receivables, and other financial liabilities are measured at amortized cost, using the effective interest method amortization.

The new standards require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivative instruments embedded into host contracts must be separately recorded at fair value if the economic characteristics and risks of the embedded derivative instrument and the host contract are not closely related and if the host contract is not already recorded at fair value. This change had no impact on the Company's consolidated financial statements.

The adoption of these new standards resulted in the following changes in the classification and measurement of the Company's financial instruments:

- Cash and cash equivalents, short-term investments, investment in Canadian immigrant investor program and loans under Canadian immigrant investor program are classified as assets and liabilities held for trading. This change resulted in a decrease of \$19,105 in short-term investments and an increase of \$12,988, net of future income taxes in opening deficit;
- Accounts receivable are classified as loans and receivables. This change had no impact on the Company's consolidated financial statements;
- Bank overdraft, bank advances, bank loan, accounts payable and accrued liabilities, current portion of long-term debt, long-term debt and secured convertible debentures are classified as other financial liabilities. This change resulted in a decrease of \$163,096 in deferred financing costs previously included in other assets, an increase of \$186,851 in secured convertible debentures and a decrease of \$16,149, net of future income taxes in opening deficit.

(c) Equity

Section 3251, *Equity*, describes standards for the presentation of equity and changes in equity for the reporting period as a result of the application of Section 1530, *Comprehensive Income*.

(d) Hedges

Section 3865, *Hedges*, specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedging strategies and the required disclosures. This standard had no impact on the Company's consolidated financial statements for the fiscal year ended June 30, 2008.

Future Changes in Accounting Policies

(a) In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian generally accepted accounting principles ("GAAP"), as used by public companies, being evolved and converged with International Financial Reporting Standards ("IFRS"). The Company will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will convert to these new standards according to the timetable set with these rules and will closely monitor changes arising from this convergence.

(b) In December 2006, the CICA issued Section 1535, *Capital Disclosures*, which requires the disclosure of qualitative information on the capital of the Company. This new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company is currently evaluating the effects of adopting this standard.


(c) In December 2006, the CICA issued Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*, which require additional disclosures relating to financial instruments. These new standards apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company is currently evaluating the effects of adopting these standards.

(d) In March 2007, the CICA issued a Section 3031, *Inventories*, which provides more extensive guidance on the recognition and measurement of inventories, and related disclosures. This new standard applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company is currently evaluating the effects of adopting this standard.

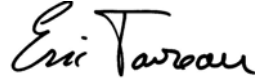
(e) In January 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, which provides guidance on the recognition of intangible assets and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the effects of adopting this standard.

Supplementary Information

Supplementary information about the Company is available on SEDAR's website at www.sedar.com.



(signed) **ANDRÉ LEROUX**
Chairman of the Board and Chief Executive Officer



(signed) **ÉRIC FAVREAU**
Vice-President and Chief Financial Officer

October 24, 2008