



INTERNATIONAL INC.

Revised Interim Report 2

Three-Month and Six-Month Periods Ended
December 31, 2007

Revised Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the Company audited financial statements for the year ended June 30, 2007, and the related notes, which have been prepared in accordance with Canadian generally accepted accounting principles.

This revised Management's Discussion and Analysis of the financial condition and results of operations for the second quarter ended December 31, 2007 as submitted by Management from the information available to October 24, 2008, supersedes and replaces the Management Discussion and Analysis of the financial condition and results of operations for the second quarter ended December 31, 2007 dated February 27, 2008 as a result of the following restatements.

The refiling and restatement of the statements is intended to reflect revised methodology related to the calculation of stock-based compensation expenses and the timing of when such expenses must be recognized. With respect to methodology, the weighted average volatility to be used for the computation of the fair market value of the options granted should be increased from 60% to 95% and the expenses for the options to acquire 2,000,000 Class A Shares granted on October 25, 2007 at \$6.80 per share, should have been recognized not in the period where such options began to be vested (period ended March 31, 2008 as shown by the Company in its interim financial statements) but in the period where they were granted (period ended December 31, 2007) on a linear basis.

The stock-based compensation expense for the six month period ended December 31, 2007 is increased by \$1,287,073. Consequently, net loss, comprehensive loss, and contributed surplus for the six month period ended December 31, 2007, should be increased by \$1,287,073 to a total of \$5,157,480 or \$0.10 per share, to \$5,093,396 and to \$3,399,342 respectively.

Message to Shareholders

The second quarter was highlighted by a new series of major initiatives and developments, several of which occurred in October and November 2007 and were already presented in our previous Interim Report released at the end of November 2007. Among the developments completed since December 2007, we would first like to underline the results of the study 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., released in December 2007. 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). It is a known fact that the damage caused by this virus results in annual losses of several hundred million dollars for the North American swine industry. We can be proud of having developed these patented antimicrobial air filters, which provide an effective and economical means of defence against various pathogens, including the PRRS virus. Thus, the Noveko™ air filter can be incorporated into any biosafety protocol implemented on livestock farms, especially hog and poultry breeding farms. In this regard, we are currently conducting a demonstration project of our antimicrobial air filters on a major pig farm in China, with the support of the relevant government authorities.

The results of this study were welcomed by the firm Monitrol Inc., with whom we signed an exclusive distribution agreement for the distribution of our air filters in North America in April 2007. These results enable Monitrol to intensify the development of this market which includes more than 60,000 hog farms in Canada and the United States, not to mention Mexico – each of which has a few units to several hundred buildings. In early February, we closed sales of \$0.5 million to pork producers in Canada and the United States, and to meet growing demand, Monitrol has just placed a new order for 5,000 Noveko Inc.'s air filters including their support structures, which represent additional sales of \$2.0 million. We have initiated the production of 10,000 structures and antimicrobial air filters to support Monitrol Inc.'s market development efforts in North America – 5,000 of these have already been ordered by Monitrol Inc.

We are pursuing our initiatives to establish distribution networks for Noveko™ antimicrobial face masks, and they are yielding benefits. We will penetrate the dental care market in Canada and the United States with our patented products, which represent a new generation of face masks for dental practices meeting unmatched sanitation and prevention standards. In January 2008, we signed an exclusive agreement with A.R. Medicom Inc., a North American leader specializing in the manufacture and distribution of disposable value-enhanced dental and medical professional-use products. Under this exclusive agreement, Medicom will manufacture antimicrobial surgical masks using Noveko Inc.'s patented antimicrobial technology and ensure the distribution of these face masks to the dental care market in Canada and the United States. To that end, Medicom is supported by a distribution network consisting of some 300 distribution partners who include world-renowned companies specializing in supplies, equipment and services for dental care professionals. We expect to reap the initial benefits of this agreement in 2008, in the form of royalties.

We can mention another recent result of our marketing efforts: the subsidiary SyMa has started to penetrate the hospitals market. It has sold its first Azuro™ products to a major hospital in Montreal, for an amount of \$50,000. Furthermore, SyMa will expand and intensify its development of the pharmacy market, since in February it signed an exclusive agreement with Magnum Pharmaceuticals Inc., a management services company specializing in the commercialization of pharmaceutical and related products. This new agreement will allow the marketing of Azuro™ products throughout the Canadian pharmacy market, which is another important market for SyMa.

We were very pleased to recently take a key step toward a strategic acquisition in Taiwan, namely Purer Life, which would enable us to assure and control our production of antimicrobial air filters and to penetrate new markets. We already do business with Purer Life, as a Noveko Inc. supplier. Purer Life has the advantage of having developed an original patented weaving technology for the manufacture of a three-dimensional fibre featuring a filtration effectiveness, solidity and durability that make it a unique base material, especially for our antimicrobial air filters, but also for other potential applications currently being studied by Purer Life. We expect to close this transaction by the end of April 2008, subsequent to which we plan to relocate the facility to its vicinity in order to increase its production capacity. Our goal is not only to fully meet our own demand for filtering fabric, but also to tap the great potential offered by the applications resulting from Purer Life's patents and patent requests. The terms of this transaction are described in the *Events Subsequent to Balance Sheet Date* section of this Interim Report.

Concurrently with these developments, we are closely monitoring Noveko Inc.'s file with the FDA. In December 2007, Noveko Inc. obtained FDA approval on a series of key test protocols for Noveko™ antimicrobial face masks. Since then, the last formalities are on track toward filing the 510(K) Submission, which will make Noveko Inc. the first company to market an FDA-approved antimicrobial surgical face mask.

For the coming periods, our objectives remain unchanged from those set at the beginning of the year: to achieve new milestones, to increase our sales and to make our operations profitable. The developments completed so far all offer the potential for growth, and we will pursue them going forward with determination and confidence.

Management's Report as at December 31, 2007

(Management's Discussion and Analysis of Operating Results, Cash Flows and Financial Position)

Description of Business as at December 31, 2007

Noveko International Inc. ("Noveko" or "the Company") has four subsidiaries: **S.A.S. ECM** (France) ("ECM"), **Bolduc Leroux Inc.** ("BLI"), **Noveko Inc.** and **Laboratoire SyMa Inc.** ("SyMa").

Through its subsidiaries, Noveko is involved in the following sectors:

- 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.

ECM specializes in the development and marketing of portable real-time ultrasound scanners for use in veterinary and human medicine. These devices are used to improve breeders' yield by facilitating the diagnosis of animal pathologies, the monitoring of gestation and the evaluation of animals' body fat to optimize meat quality. ECM has also developed a portable ultrasound technology for human applications including cardiovascular, gynecological, abdominal, organ and prostate examinations, which offers considerable potential in regard to ambulatory medicine and healthcare in developing countries. In addition to its products' innovative features and excellent quality/price value, ECM's main differentiating advantage in ultrasonography lies in the fact that its scanners are portable, user-friendly and battery-powered, so they can be used both in clinics and in the field. These characteristics position ECM in specific market niches, including some developing countries, where major competitors are absent. Most component manufacturing is outsourced, product assembly is ensured by ECM and marketing is done primarily through independent agents and distributors around the world.

BLI specializes in the custom processing and distribution of steel products based on client specifications and designs. It has also developed and markets a line of downdraft particle extraction tables for various industrial, commercial and pharmaceutical markets.

Noveko Inc. develops the Company's biomedical and environmental activities, specifically its patented antimicrobial filtration technology and its derivative products. In May 2006, Noveko Inc.'s antimicrobial filtration technology was patented by the *United States Patent and Trademark Office* and, at the end of June 2007, it was patented by the *Eurasian Patent Office*, located in Moscow. Noveko Inc. has similar international patents pending. In August 2007, the subsidiary was issued an establishment licence by Health Canada, allowing it to begin marketing its products in Canada.

Noveko Inc. has started marketing the two broad lines of the derivative products from its technology, specifically antimicrobial face masks for the healthcare sector, pharmaceutical companies and the general public, and antimicrobial air filters for farm buildings, healthcare institutions, commercial and office buildings and residential properties.

SyMa manufactures the Azuro™ product line, which currently includes a hand sanitizer with emollients that cleans without water and eliminates 99.9% of germs in 4.6 seconds – as well as three other exclusive products: Azuro™ Foot, a foot sanitizer, Azuro™ Vapo, a surface disinfectant, and Azuro™ Medical. Distributed in Quebec since November 2005, Azuro™ products are targeted to retail outlets and the corporate, governmental and healthcare sectors. They are also available under private labels as corporate gifts, for fund-raising, golf tournaments, etc.

Noveko Inc. has been operating since September 2002 and the shares of Noveko International Inc. (ticker symbol EKO) have been listed on the TSX Venture Exchange since February 3, 2004.

Development Stage of the Company

Since its inception, the Company has concentrated on setting up an operational structure and a team focused on growth, the elaboration and implementation of a growth strategy, the completion of strategic acquisitions, its research and development (R&D) operations, the establishment of strategic alliances in North America and Asia, the launch of new products and various financing arrangements by way of convertible debentures, a bank financing and a private placement.

FOREWORD TO MANAGEMENT'S REPORT

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 Noveko's operations and financial position. This Management's Report presents an analysis of Noveko's operating results for the second quarter and the first six months ended December 31, 2007 in comparison with the corresponding periods ended December 31, 2006, as well as its cash flows and changes in financial position between those dates. Management's Report should be read in conjunction with the unaudited consolidated financial statements and accompanying notes for the quarter and the six-month period ended December 31, 2007.

Supplementary information about the Company, including interim reports and the Annual Report for the fiscal year ended June 30, 2007, previous annual reports and press releases, is available on SEDAR's website (www.sedar.com) and Noveko's website (www.noveko.com).

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

The information contained in this Management's Report accounts for any major event occurring prior to February 27, 2008, the date on which the Board of Directors approved the unaudited financial statements and the Management's Report for the second quarter and the first six months ended December 31, 2007. 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 period in question 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 profit (loss) before amortization, financial expenses and income taxes ("EBITDA"). Noveko 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 may 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 that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenue and expenses and the disclosure of contingent assets and liabilities.

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 for the purposes of calculating the 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. Recoverable tax credits are also subject to certain estimates and assumptions. The recovery of such credits depends on the revision and approval of the admissibility of expenses by tax authorities. Actual results could differ from those estimates.

The statements set forth in this Management's Report and certain other sections of this report that describe Noveko'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. Noveko'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, Noveko'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. *(For further details, please refer to the "Risks and Uncertainties" section of the 2007 Annual Report.)*

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 \$23,755 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 3855, *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 three-month and the six-month periods ended December 31, 2007.

SELECTED CONSOLIDATED QUARTERLY INFORMATION**Three-Month and Six-Month Periods Ended December 31, 2007 and 2006**

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

	Three Months		Six Months	
	2007	2006	2007	2006
Revenues	3,809	3,474	6,611	6,362
Gross margin	1,612	1,600	2,556	2,849
EBITDA (earnings (loss) before amortization, financial expenses and income taxes)	(2,780)	131	(4,732)	279
Net loss	(2,962)	(340)	(5,157)	(699)
Loss per Class A share (basic and diluted)	(0.06)	(0.01)	(0.10)	(0.02)
Weighted average number of Class A shares outstanding (in thousands)	53,728	41,212	52,713	40,500

Balance Sheet Data

	December 31, 2007	June 30, 2007
Total assets	49,242	42,243
Shareholders' equity	34,183	27,351
Total interest-bearing debt ⁽¹⁾	7,211	8,367
Cash, cash equivalents and short-term investments	13,397	16,960

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

SALIENT EVENTS OF THE PAST THREE FISCAL YEARS

Fiscal 2006

Bank Financing — On November 10, 2005, the Company completed a bank financing of a maximum of \$1.9 million (term loan: \$1.7 million and margin facility: \$0.2 million), guaranteed by various hypothecs on the universality of all current and future tangible and intangible assets of the Company and of its subsidiaries. Investissement Québec granted the lender a loan guarantee for a portion of the term loan. In consideration of such guarantee, the Company issued to Investissement Québec 365,625 Class A shares valued at \$117,000.

ECM's Products Sold in 50 Countries — In October 2005, ECM launched the Agrosan A14, a device designed for bovine, ovine and caprine scanning. That completed its line of Agrosan scanners, the broadest range of portable ultrasound scanners sold primarily in the European Union, Asia, and North and South America.

Launch of a Line of Environmental Products by BLI — In May 2006, BLI launched a new line of environmental products designed and developed by its team: five downdraft extraction tables targeted to various industrial, commercial and pharmaceutical markets. This innovation is the result of three years of research and development and meets important needs for the recovery of industrial and commercial industrial wastes. BLI is further developing this high-potential market with the contribution of U.S. distributors.

Acquisition of Lapjack (Canada) Ltd. — On April 28, 2006, Noveko announced the closing of the acquisition of Lapjack (Canada) Ltd. ("Lapjack") and its subsidiary Bolduc Leroux Inc. ("BLI"). The purchase price for all the issued and outstanding shares of Lapjack was paid to Alain Bolduc by the Company, \$0.5 million in cash and by the issue to him of 7,000,000 units, each unit being composed of one (1) Class A share and one fifth (1/5) of a warrant, each whole warrant giving the right to its holder to subscribe one (1) Class A share of the Company, at a subscription price of \$1.00 per share, until April 28, 2008. All Class A shares and all warrants so issued by Noveko to Alain Bolduc are subject to an Escrow Agreement (Value Security) as required by the Policies of the TSX Venture Exchange (the "Exchange"). These securities will be released from escrow in accordance with the provisions of the Escrow Agreement and of the Exchange's Policies in the following manner: 10% of the securities shall be released at the date of the Final Bulletin of the Exchange in connection with the acquisition and, the remaining securities, shall be released in the 6th, 12th, 18th, 24th 30th and 36th months (on a 1/6-basis) following the date of such Final Bulletin. The Company also acquired the 300,000 Class E shares of BLI held by Alain Bolduc for a consideration of \$300,000.

The ownership of such 300,000 Class E shares was transferred to Noveko at the closing. Furthermore, the payment of the purchase price was payable by the Company only after the U.S. Patent Application for an antibacterial filtration technology had been granted. As stated below, this patent was granted to BLI on May 16, 2006. Subsequent to the acquisition, effective April 28, 2006, Alain Bolduc was appointed as director and Vice-President, Business Development of Noveko.

Private Placement — Concurrently with the acquisition of Lapjack, Noveko effected a private placement of a minimum of 4,000,000 units and a maximum of 6,000,000 units, each unit being composed of one (1) Class A share and one-fifth (1/5) of a warrant (each whole warrant entitling its holder to subscribe for one (1) Class A share of the Company, at a subscription price of \$1.00 per share, until April 28, 2008). , A total of 4,200,000 units were subscribed for a total consideration of \$2.1 million. On September 18, 2006, the Company announced the closing of this private placement, subsequent to which the total number of the issued and outstanding Class A shares of the Company was equal to 41,183,882 Class A shares.

U.S. Patent for Antibacterial Filtration Technology Obtained by Noveko — On May 16, 2006, the *United States Patent and Trademark Office* delivered Noveko's patent for its antibacterial filtration technology, titled "microbicidal air filter", the result of five years of research and development.

Fiscal 2007

Issuance of Units — In September 2006, Noveko issued 1,800,000 units for an amount of \$0.9 million. 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 of the Company at a price of \$1.00 per share, and that, for a period of 24 months following its issuance.

Amendment to Stock Option Plan — On November 10, 2006, Noveko amended its stock option plan to increase the total number of Class A shares that may be acquired under the plan to 8,242,776 Class A shares. As at December 14, 2006, the amendment to the stock option plan was ratified by the Company's shareholders at the Annual General Meeting, and this amendment was approved by the TSX Venture Exchange. The Company also granted options to certain Company employees, consultants and directors to acquire 3,100,000 Class A shares, at a price of \$0.87 per share, 550,000 Class A shares, at a price of \$1.31 per share, and 600,000 Class A shares, at a price of \$2.75 per share. These options can only be exercised on the basis of one-sixth (1/6) of the total number of options per every completed three-month period following their grants.

100% Effectiveness of Noveko's Antimicrobial Technology Successfully Proven — On November 21, 2006, Noveko announced that it had successfully proven the 100% effectiveness of its antimicrobial filtration technology, usable in medical, biomedical, commercial, industrial and residential applications. The results of the latest testing phases executed in dynamic mode (reproducing human breathing) proved fully conclusive and pave the way for commercialization of these derivative products in the near term. Conducted under the supervision of Dr. Konstantin Goranov, PhD in Polymer Chemistry, by the Microbial-Resolution (Massachusetts), these latest testing phases proved the 100% effectiveness of the antimicrobial technology developed by Noveko on some 200 bacterial colonies tested. Besides providing 100% bioprotection against bacteria and viruses — such as clostridium difficile (*C. difficile*), escherichia coli (*E. coli*), the bacteria and viruses causing pneumonia, legionella pneumophila (cause of legionnaire's disease), streptococci, bacillus anthracis (cause of anthrax) and the influenza virus (flu), whatever the currently existing strain — this technology offers other distinct advantages. For instance, it allows the manufacturing of reusable washable face masks that retain their full antimicrobial property and can also be applied to produce conventional face masks meeting the N-95 standard, without changing current manufacturing methods.

This technology therefore features major commercial advantages in a broad high-potential market. Furthermore, in view of using this technology in air filtration systems that can be installed in any healthcare institution as well as in any public, commercial, residential and agricultural building, BLI has obtained the certification of conformance with ASHRAE Standard 52.2-1999 for its prototype number B1F.AB1.150 BI-Antimicrobial.

\$2.2 Million Financing — On December 29, 2006, Noveko concluded a \$2.2 million financing arrangement with the Quorum Group, by way of secured convertible debentures bearing interest at a rate of 8% per annum. These debentures are convertible, totally or partially, at the holder's option, into Class A shares on the basis of one Class A share for \$1.25 debenture stock until December 29, 2008, for \$1.38 until December 29, 2009, for \$1.52 until December 29, 2010 and for \$1.67 until its due date on December 29, 2011.

Partnership for Development of the Asian Market — On January 16, 2007, the Company entered into a strategic partnership with Unitam Inc., a consulting company with offices in Montreal, Taipei and Beijing whose mission is to introduce North American companies to Asian markets. This partnership was established for the manufacture and distribution of Noveko's antimicrobial face masks and air filters in countries such as China, Taiwan, Japan, Korea, Thailand and other Asian countries.

Initial Production of Antimicrobial Face Masks — On February 26, 2007, Noveko Inc. started to produce antimicrobial face masks. In partnership with key American suppliers, Noveko Inc. successfully completed its manufacturing tests and produced fabrics for the manufacture of bioactive filtering products. This initial production allowed the manufacturing of some 50,000 face masks for clinical trials and marketing. The tests conducted on these fabrics demonstrated that these face masks provide 100% bioprotection (superior to N-99-approved products) and reduce weight by over 40%, thereby greatly facilitating breathing and offering more comfortable skin contact. This initial production of antimicrobial face masks was ensured by Suzhou Fangtian Industries Co. (www.chinamasks.com), a major Chinese manufacturer and distributor of a wide range of face masks across the United States, Asia, the Middle East and Africa. It should be specified that Noveko Inc. retains all the intellectual property rights to its patented antimicrobial technology. Part of this production was also used for the needs of the FDA 510(K) certification application file, under Dr. Goranov's supervision. Moreover, CIBA® Experts Services (www.cibasc.com) is assisting Noveko Inc. in this process. Furthermore, in February 2007, Dr. Goranov joined Noveko Inc.'s team on an exclusive, full-time basis as Chief Technical Officer.

Management Changes — On April 2, 2007, Noveko announced several changes to the Company's management in the context of its international developments and in anticipation of its future growth. Thus, André Leroux, founder and Chairman of the Board, President and Chief Executive Officer, continues to act as Chairman of the Board and Chief Executive Officer of Noveko International Inc. Alain Bolduc, formerly Vice-President, Business Development and Industrial Division of Noveko and President of the subsidiary BLI, was promoted to the position of President and Chief Operating Officer of Noveko International Inc. Gaston Lavallée joined Noveko International Inc.'s team as Vice-President, Business Development. On May 28, 2007, Jacques Tessier was appointed as Vice-President and Chief Financial Officer.

Exclusive Distribution Agreement — On April 11, 2007, Noveko announced its exclusive distribution agreement with Monitrol Inc. (Boucherville, Quebec), a North American leader in ventilation management software and hardware for farm buildings with a North American network of 300 distributors and 1,500 sales agents. Under this agreement, Monitrol Inc. will act as the exclusive distributor of Noveko's patented antimicrobial air filters for the hog and poultry breeding markets in North America. This market currently represents some 125 million linear feet of air filters and potential revenues of approximately US\$1.3 billion that could come from the sale of these filters in North America. Noveko is confident that this agreement will enable it to achieve a significant breakthrough in the North American hog and poultry breeding market over the next two years with its antimicrobial air filters.

FDA 510(K) Certification — In May 2007, Noveko Inc. filed an application with the FDA for the 510(K) certification of its two Noveko™ 3xEZ and 5dEZR antimicrobial face masks and obtained a pre-IDE (investigational device exemption) number to complete its submission with the latest data. Noveko Inc. completed the final test protocols in cooperation with Ciba Expert Services and FDA-accredited Nelson Laboratories (Utah, U.S.) and received FDA approval on these protocols.

\$23 Million Private Placement — In June 2007, Noveko issued 9,200,000 units for a total cash consideration of \$23.0 million. Each unit includes 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, and that, for a period of 24 months following its issuance. These funds will be used for the marketing of antimicrobial face masks and air filters, new product development and various other projects focused on driving the Company's growth.

Eurasian Patent Obtained — At the end of June 2007, the Eurasian Patent Office, located in Moscow, delivered a patent for Noveko's antimicrobial filtration technology. With almost double the population of the United States, Eurasia represents an important market for Noveko's antimicrobial face masks and antimicrobial air filters.

Fiscal 2008

Acquisition of a Building — In July 2007, Noveko acquired a building from a company whose shareholders exercise significant influence on the Company. This acquisition was recorded at fair market value and settled by a cash consideration of \$1.2 million.

Acquisition of Laboratoire SyMa Inc. — In July 2007, Noveko closed the acquisition of all the shares of SyMa, which specializes in the manufacture of sanitizers, more specifically the exclusive antimicrobial products sold under the Azuro trademark. The acquisition was settled by a cash consideration of \$0.5 million and by the issue of 745,156 Class A shares of the Company for a value of \$4.9 million.

Establishment Licence Granted by Health Canada — 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 (hospitals, medical clinics, dental clinics, etc.), government organizations, civil relief units and the general public.

First Order of Antimicrobial Air Filters — In August 2007, Noveko won its first order of \$0.4 million of antimicrobial air filters from large hog breeding farms in Ontario and the United States.

First Canadian Sales of Antimicrobial Face Masks — In August 2007, Noveko won its first order of \$2.3 million of antimicrobial face masks from Medi-Select, a leader in the distribution of medical equipment and supplies.

Conversion of Debentures — In July and September 2007, convertible debentures for an amount of \$1,362,000 were converted into 1,547,728 Class A shares.

Noveko Head Office Move — In September 2007, Noveko moved its head office from Lachine, Quebec to a recently acquired building located in Terrebonne, Quebec in order to achieve efficiency gains and to better accommodate its future growth.

Agreement with China National Service Corporation — 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 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.

First Pig Farm in China Equipped with Noveko's Antimicrobial Air Filters — In October 2007, Noveko signed a cooperation agreement with the Ma'anshan Agriculture Committee (Anhui Province, China) to equip a first pig farm with Noveko's antimicrobial air filters in the coming months in order to demonstrate this technology's performance and to market it on a larger scale.

Grant of Stock Options — On October 25, 2007 stock options were granted to directors, consultants and employees, entitling them to purchase 2,000,000 Class A shares at a price of \$6.80 per share. On December 12, 2007, the Board of Directors approved the grant of 200,000 stock options to key employees, entitling them to purchase Class A shares at a price of \$9.68 per share, representing the closing price of the Class A shares as at December 11, 2007. These options can only be exercised on the basis of one-sixth (1/6) of the total number of options per every completed three-month period following their grants and will expire in five years.

Amendment to Stock Option Plan — On November 20, 2007, the TSX Venture Exchange approved the amendment to the stock option plan adopted by the Company's Board of Directors increasing the number of Class A shares that may be issued followed the exercise of options granted or to be granted under the plan from 8,242,776 to 10,698,780 Class A shares. This amendment to the stock option plan was approved by Noveko's shareholders at the Annual General and Special Meeting of Shareholders held on December 12, 2007.

Health Canada Establishment Licence and DIN Delivered for SyMa's Azuro™ Products — FDA Authorization to Market its Products in the United States — Signature of Two Agreements with New Clients — In November 2007, SyMa was issued a Health Canada establishment licence and DIN (drug identification number) for all its products, more specifically the Azuro™ Medical — allowing it to sell them in healthcare institutions across Canada. It also received FDA authorization to market its Azuro™ products in the United States. In addition, SyMa entered into an agreement with METRO INC., under which it will supply its line of Azuro™ products to the METRO and METRO Plus supermarkets as well as the Super C discount supermarkets, representing more than 280 stores operating in Quebec. It also signed a three-year agreement with the Fédération des Caisses Desjardins du Québec, whereby it will supply its line of Azuro™ products to the network of Desjardins credit unions and their service centres, representing more than 1,400 Desjardins branches across Canada.

Conclusive Results of the Effectiveness Tests of the Noveko™ Antimicrobial Air Filter for Hog Farms — 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 Noveko Inc's patented antimicrobial air filter can prevent airborne introduction to swine facilities of the virus causing the porcine reproductive and respiratory syndrome (PRRS) — a virus that infects up to 90% of swine herds in certain regions having a large animal population, according to the Faculty of Veterinary Medicine of the Université de Montréal (2007), and causing annual losses of several hundred million dollars for the North American swine industry. Thus, the subsidiary Noveko Inc. has developed a new means of defence against porcine viruses that can be incorporated into a global biosafety protocol for hog and poultry breeding farms.

Events Subsequent to Balance Sheet Date

Strengthening of the Subsidiary Noveko Inc.'s Management – In January 2008, Gaston Lavallée, Vice-President, Business Development of Noveko International Inc., was appointed to the newly created position of President and Chief Operating Officer of Noveko Inc. The major developments over the past year and the subsidiary's anticipated future growth required the creation of this position. Formerly, the senior management of the subsidiary Noveko Inc. was fully assumed by André Leroux, Chairman of the Board and Chief Executive Officer of Noveko International Inc. Consequently, Noveko Inc. is now headed by André Leroux, who acts as the subsidiary's Chairman of the Board and Chief Executive Officer, and Gaston Lavallée, as President and Chief Operating Officer. In addition to his new responsibilities within Noveko Inc., Mr. Lavallée continues to act as Vice-President, Business Development of Noveko International Inc.

Exclusive Agreement Between Noveko Inc. and A.R. Medicom Inc. – In January 2008, Noveko Inc. signed an exclusive agreement with A.R. Medicom Inc., pursuant to which Medicom will manufacture antimicrobial surgical masks using Noveko Inc.'s patented antimicrobial technology and ensure the distribution of these face masks to the dental care market in Canada and the United States. With offices in North America, Europe and Asia, Medicom benefits from a leading share of the dental professional-use disposables market and the support of distribution network consisting of some 300 distribution partners who include world-renowned companies specializing in supplies, equipment and services for dental care professionals. This agreement should yield significant royalties as of 2008 and growth in the future.

Definitive Offer for the Strategic Acquisition of Purer Life in Taiwan – Further to the execution on January 10, 2008 of a letter of intent to acquire Purer Life, a Taiwan-based company specializing in the manufacture of filtration fabric, Noveko announced on February 4, 2008 that it had agreed with Purer Life and its shareholders on the terms and conditions of such a transaction by of a Definitive Offer. Noveko will purchase, directly or through a subsidiary, all the issued and outstanding shares of Purer Life and those of a firm of the same group (collectively "Purer") for a total consideration of CAN\$2,500,000 plus the issue of 1,100,000 Class "A" Shares of Noveko. The shares of the Company to be issued pursuant to this transaction will be subject to the mandatory four-month hold period. The transaction could close no later than April 30, 2008 (or any other date agreed to by the parties) subject to a full satisfactory due diligence, particularly, in connection with the transfer, in full ownership, to Purer of all patents and patent applications linked with the business of Purer, the applicable approvals, if any, of Taiwan investment authorities, and the approval of the TSX Venture Exchange. Purer Life is majority owned by its two founders and officers, who have developed an original patented weaving technology for the manufacture of a three-dimensional fibre featuring a filtration effectiveness, solidity and durability that make it a unique base material. Should the transaction close, the two current officers are expected to continue holding key positions within Purer Life.

Conversion of Convertible Debenture – On January 25, 2008, the Company issued 800,001 Class A shares subsequent to the exercise of conversion right of \$762,586 of convertible debenture.

Exclusive Agreement Between the Subsidiary Laboratoire SyMa Inc. and Magnum Pharmaceuticals Inc. – In February 2008, SyMa signed an exclusive agreement with Magnum Pharmaceuticals Inc., a management services company specializing in the commercialization of pharmaceutical and related products with operations in Canada and worldwide. This agreement will allow the marketing of Azuro™ brand products throughout the Canadian pharmacy market with the support of Magnum's services, primarily in sales and distribution.

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		
Net loss	(2,195)	(2,962)		
Comprehensive loss	(2,298)	(2,795)		
Loss per Class A share (basic and diluted)	(0.04)	(0.06)		
Fiscal 2007				
Revenues	2,887	3,474	3,440	3,044
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)

OPERATING RESULTS

Analysis of Consolidated and Segmented Operating Results for the Second Quarter and the Six-Month Period Ended December 31, 2007 Compared to the Second Quarter and the First Six Months Ended December 31, 2006

Consolidated and Segmented Revenues

	Quarters Ended Dec. 31,		Six Months Ended Dec. 31,	
	2007	2006	2007	2006
Revenues (\$)				
Manufacturing and distribution of medical equipment (segment primarily comprising the subsidiary ECM)	2,029,542	2,011,612	3,272,196	3,317,649
Custom processing and distribution of steel products (segment comprising the subsidiary BLI)	1,627,104	1,462,794	3,134,370	3,044,209
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko Inc. and SyMa)	152,089	-	204,517	-
Total	3,808,735	3,474,406	6,611,083	6,361,858

For the second quarter ended December 31, 2007, consolidated revenues grew by 9.6% to \$3.8 million. This growth is due to an increase in BLI's revenues, SyMa's contribution and a slight increase in ECM's revenues. BLI posted strong growth of 11.2% in its revenues, which reflect the orders won from new clients subsequent to the strengthening of its sales team and the positive impact of the reorganization of its operations in recent months. For its part, ECM achieved satisfactory revenues for the period. Until December, the subsidiary focused on fine-tuning and preparing for the launch of its new ultrasound scanners, which will enable it to develop the human medicine market and to consolidate its global leadership in veterinary medicine.

For the first six months of the current fiscal year, consolidated revenues totaled \$6.6 million, up by 3.9% due to SyMa's contribution for its first five months within the Noveko group and a 3% increase in BLI's revenues. As indicated in the *Highlights* section, Noveko Inc. won its first orders of antimicrobial face masks for \$2.3 million and of antimicrobial air filters for \$0.4 million in August 2007. These sales were not realized in the six-month period as the delivery of these products is expected in the second half.

Second-quarter selling and administrative expenses increased to \$2.6 million, up by 76% due to the following main factors:

- the expenses related to the accelerated marketing of the derivative products from the antimicrobial filtration technology, specifically antimicrobial face masks and air filters; and
- the hiring of specialized resources at different levels of responsibility at head office as well as sales agents in the subsidiaries, notably in anticipation of the launch of new products.

Stock-based compensation represented an expense of \$1.8 million for the second quarter, as opposed to a nil amount for the comparable period of 2006.

For the first six months of the year, selling and administrative expenses more than doubled to \$4.9 million, due to the aforementioned factors.

Stock-based compensation represented an expense of \$2.4 million for the first half, as opposed to a nil amount for the comparable period of 2006.

Operating Results Before Amortization, Financial Expenses and Income Taxes

	Quarters Ended Dec. 31,		Six Months Ended Dec. 31,	
	2007	2006	2007	2006
Earnings (loss) before amortization, financial expenses and income taxes (\$)				
Manufacturing and distribution of medical equipment (segment primarily comprising the subsidiary ECM)	221,122	553,394	48,200	761,431
Custom processing and distribution of steel products (segment comprising the subsidiary BLI)	199,109	(10,972)	268,778	171,343
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko Inc. and SyMa)	(1,042,110)	(71,203)	(1,768,878)	(71,203)
Other (Noveko International Inc.)	(2,158,523)	(340,679)	(3,280,397)	(582,193)
Total	(2,780,402)	130,540	(4,732,297)	279,378

For the second quarter, considering the aforementioned factors, Noveko posted an **operating loss before amortization, financial expenses and income taxes** of approximately \$2.8 million, as opposed to EBITDA of \$130,540 for the second quarter ended December 31, 2006. ECM's EBITDA amounted to \$0.2 million, down from \$0.6 million for the second quarter of the previous year, due to an increase in expenses related to the intensive preparations for marketing its new ultrasound scanners, which started up at two major international trade shows specializing in medical equipment, held in Germany and Dubai in December 2007 and January 2008. For its part, BLI's EBITDA grew considerably, from a loss of \$10,972 to a profit of approximately \$0.2 million for the period, reflecting the impact of the increase in sales and reorganization of its operations. As previously mentioned, Noveko Inc. remained at the production preparation stage in view of honouring its first orders beginning in the second half of the current fiscal year, while pursuing its marketing initiatives; thus, the losses of the biomedical activities amounted to \$1.0 million for the period, and those of the head office to \$2.2 million.

For the first six months, the **operating loss before amortization, financial expenses and income taxes** totaled \$4.7 million, as opposed to EBITDA of \$0.3 million for the first half of the previous year. This change is due to the various aforementioned factors.

Second-quarter amortization expenses amounted to approximately \$0.3 million, compared with close to \$0.2 million for the corresponding period of the previous year. ECM's amortization expenses decreased by \$50,000 to \$32,165, due to the fact that the development costs related to the products of ECM's Agrosan line had already been fully amortized whereas no amortization was recognized for its newly designed platforms currently being marketed. BLI's amortization expenses increased by \$82,000 to \$136,480 subsequent to a first-quarter accounting adjustment. Biomedical activities incurred amortization expenses of \$69,800, related primarily to the subsidiary SyMa.

Financial expenses posted a negative balance of \$56,402, as opposed to a positive balance of \$245,283 for the second quarter of the previous year. This change is due mainly to investment income of more than \$0.2 million for the period and a reduction in indebtedness.

For the first six months, amortization expenses amounted to \$0.5 million, compared with \$0.4 million for the first half of the previous year. This change is due notably to the factors referred to for the second quarter.

Financial expenses amounted to \$39,222, compared with \$0.5 million for the first half of the previous year. This change is due mainly to investment income of approximately \$0.4 million for the period and a reduction in indebtedness.

Net Earnings (Loss)

	Quarters Ended Dec. 31,		Six Months Ended Dec. 31,	
	2007	2006	2007	2006
Net earnings (loss) (\$)				
Manufacturing and distribution of medical equipment (segment primarily comprising the subsidiary ECM)	156,505	301,770	(78,534)	351,192
Custom processing and distribution of steel products (segment comprising the subsidiary BLI)	(22,968)	(86,739)	(106,174)	(106,849)
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko Inc. and SyMa)	(1,066,381)	(85,627)	(1,811,637)	(100,051)
Other (Noveko International Inc.)	(2,029,559)	(469,775)	(3,161,135)	(842,995)
Total	(2,962,403)	(340,371)	(5,157,480)	(698,703)
Comprehensive income (loss)	(2,794,963)	192,647	(5,093,396)	(208,996)

The second-quarter net loss totaled \$3.0 million, compared with a net loss of \$0.3 million for the second quarter of the previous year. It should be pointed out that the subsidiaries ECM and BLI posted a net profit for the period. Considering a net change in unrealized gains on the translation of financial statements of self-sustaining foreign operations of approximately \$0.2 million for the second quarter, as opposed to \$0.5 million for the same period a year earlier, a net loss of \$2.8 million represented the comprehensive loss for the second quarter of the current fiscal year, compared with comprehensive income of \$0.2 million for the second quarter of the previous year (the reader is referred to note 2(a) *Comprehensive Income* accompanying the financial statements contained in this Interim Report).

The loss per Class A share (basic and diluted) amounted to \$0.06 on a weighted average of 53,727,729 outstanding shares (basic and diluted), compared with a loss per share of \$0.01 on 41,212,252 shares in the second quarter of the previous year. The increased weighted average number of outstanding shares is due to the various share issues over the past 12 months, as described in detail in note 8 (*Capital Stock*) accompanying the financial statements.

For the first six months, the net loss totaled \$5.2 million, compared with a net loss of \$0.7 million for the first half of the previous year. Considering a net change in unrealized gains on the translation of financial statements of self-sustaining foreign operations of \$64,084 for the first six months of the current fiscal year, as opposed to approximately \$0.5 million for the first half of the previous year, a net loss of \$5.1 million represented the comprehensive loss for the first six months of the current fiscal year, compared with \$0.2 million for the first half of the previous year (the reader is referred to note 2(a) *Comprehensive Income* accompanying the financial statements contained in this Interim Report).

The loss per Class A share (basic and diluted) amounted to \$0.10 on a weighted average of 52,712,744 outstanding shares (basic and diluted), compared with a loss per share of \$0.02 on 40,500,241 shares in the first half of the previous year. The increased weighted average number of outstanding shares is due to the various share issues over the past 12 months, as described in detail in note 8 (*Capital Stock*) accompanying the financial statements.

FINANCIAL POSITION

Analysis of Principal Cash Flows for the Second Quarter and First Six Months Ended December 31, 2007

	Quarters Ended Dec. 31,		Six Months Ended Dec. 31,	
	2007	2006	2007	2006
Operating activities (\$)				
Net loss	(2,962,403)	(340,371)	(5,157,480)	(698,703)
Adjustments for future taxes, accreted interest on debentures, stock-based compensation amortization, foreign exchange loss and gain on fair value of short-term investments	2,085,956	150,366	2,993,927	440,271
Net change in non-cash working capital	(1,550,432)	345,076	(2,177,086)	(267,715)
Total	(2,426,879)	155,071	(4,340,639)	(526,147)
Financing activities	3,019,000	2,007,798	3,101,984	2,674,941
Investing activities	(157,617)	(484,408)	(1,060,512)	(686,935)
Foreign exchange loss on cash in foreign currencies	12,630	58,649	722	46,774
Increase (decrease) in cash and cash equivalents	447,134	1,737,110	(2,298,454)	1,508,633
Cash and cash equivalents, end of period	370,040	2,134,728	370,040	2,134,728

Second-quarter operating activities, after net change in non-cash working capital, used cash flows of \$2.4 million, as opposed to a cash inflow of \$0.2 million in the second quarter ended December 31, 2006. This change is explained primarily by the increase in the net loss, less the adjustments in stock-based compensation, accreted interest on secured convertible debentures, amortization, gain on fair value of short-term investments and net change in non-cash working capital. Net change in non-cash working capital represented a cash outflow of \$1.6 million, compared with a cash inflow of approximately \$0.4 million in the second quarter of the previous year. This variation is due mainly to the increase in accounts receivable as at December 31, 2007 and a growth in medical equipment inventories, especially ECM's new ultrasound scanners.

Financing activities provided cash flows of \$3.0 million, up from \$2.0 million in the equivalent quarter of the previous year. This change is due mainly to the exercise of warrants for an amount of approximately \$3.0 million. The Company paid interest of more than \$0.1 million on secured convertible debentures, compared with \$51,712 in the comparable period a year earlier; this change reflects the interest paid on the debenture issued at the end of December 2006 and the conversion of an amount of \$1.4 million in debentures into Class A shares. Finally, the Company made a net principal repayment on long-term debt of \$0.2 million.

Investing activities used cash flows of approximately \$0.2 million, including some \$0.1 million for the purchase of various fixed assets, about \$0.3 million related to the acquisition in progress of Taiwan-based Purer Life and \$0.1 million in capitalized development costs. The Company also recorded short-term investments of \$0.3 million during the second quarter.

Also considering a \$12,630 foreign exchange loss on cash in foreign currencies, the period's aggregate cash inflows and outflows provided net cash flows of \$0.5 million, compared with \$1.7 million in the second quarter of the previous year.

For the first six months, operating activities, after net change in non-cash working capital, used cash flows of \$4.3 million, compared with more than \$0.5 million in the six-month period ended December 31, 2006. This change is explained primarily by the increase in the net loss, less the adjustments in stock-based compensation, accreted interest on secured convertible debentures, amortization, gain on fair value of short-term investments and net change in non-cash working capital. Net change in non-cash working capital represented a cash outflow of \$2.2 million, compared with \$0.3 million in the first half of the previous year. This variation is due mainly to the increase in accounts receivable as at December 31, 2007 and a growth in medical equipment inventories, especially ECM's new ultrasound scanners.

Financing activities provided cash flows of \$3.1 million, compared with \$2.7 million in the first half of the previous year. This change is due mainly to the exercise of warrants for an amount of approximately \$3.4 million. Bank indebtedness has increased by more than \$0.1 million since the beginning of the current fiscal year. The Company paid interest of approximately \$0.2 million on secured convertible debentures, compared with more than \$0.1 million in the equivalent period of the previous fiscal year; this change reflects the interest paid on the debenture issued at the end of December 2006 and the conversion of an amount of \$1.4 million in debentures into Class A shares. Finally, the Company made a net principal repayment on long-term debt of \$0.5 million during the first half of the current fiscal year.

Investing activities used cash flows of \$1.1 million, including a cash payment of \$0.5 million for the acquisition of SyMa at the end of July 2007. In addition, a consideration of \$1.4 million was allocated to the purchase of a building housing the head office as well as office equipment and information technology, plus amounts of approximately \$0.3 million for the acquisition in progress of Taiwan-based Purer Life and \$0.2 million in capitalized development costs. The Company also recorded short-term investments of \$1.3 million during the first half.

Aggregate cash inflows and outflows used net cash flows of \$2.3 million during the first half, whereas cash inflows and outflows for the first six months of the previous year had provided cash flows of \$1.5 million. Noveko ended the first six months of the current fiscal year with cash and cash equivalents of \$0.4 million.

Balance Sheet Analysis as at December 31, 2007

Summary Balance Sheet (\$)

	As at December 31, 2007	As at June 30, 2007
Current assets	25,394,463	26,321,742
Long-term assets	23,847,194	15,921,281
Total	49,241,657	42,243,023
Current liabilities	6,982,063	6,329,012
Long-term liabilities	8,076,639	8,562,832
Shareholders' equity	34,183,055	27,351,179
Total	49,241,657	42,243,023

The changes in Noveko's financial position between June 30, 2007 and December 31, 2007 mainly 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. In addition to a cash consideration of \$0.5 million, this acquisition was settled by the issue of 745,156 Class A shares for a value of \$4.9 million.

These transactions explain the increase in fixed assets, intangible assets and goodwill over June 30, 2007, as detailed in note 3 accompanying the financial statements contained in this Interim Report.

As at December 31, 2007, **total assets** amounted to \$49.2 million, up by 16.6% or \$7.0 million over June 30, 2007. **Working capital** totaled \$18.4 million for a current ratio of 3.6:1 as at December 31, 2007, compared with \$20.0 million and a 4.2:1 ratio as at June 30, 2007.

As at December 31, 2007, **shareholders' equity** amounted to \$34.2 million, compared with \$27.4 million as at June 30, 2007, primarily reflecting the increase of \$10.8 million in capital stock subsequent to the share issues and of \$2.1 million in contributed surplus, less the increase of \$5.2 million in the period's deficit.

Indebtedness (\$)

	As at December 31, 2007	As at June 30, 2007
Bank advances and bank loans	505,252	18,287
Current portion of long-term debt	560,801	801,029
Long-term debt	3,086,104	3,158,442
Secured convertible debentures	3,059,297	4,389,576
Total debt	7,211,454	8,367,334

Considering the period's debt repayments, **long-term debt including the current portion** totaled \$3.6 million as at December 31, 2007, compared with \$4.0 million as at June 30, 2007. **Total interest-bearing debt** (consisting of bank advances and bank loans, current portion of long-term debt, long-term debt and secured convertible debentures) amounted to \$7.2 million as at December 31, 2007, compared with \$8.4 million as at June 30, 2007, a decrease of \$1.4 million reflecting the \$1.3 million decline in debentures from June 30, 2007, due mainly to the conversion of \$1.4 million in debentures into Class A shares.

Capital Stock Information

During the first six months ended December 31, 2007, 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.

Noveko also issued 433,406 Class A shares subsequent to the exercise of 433,406 stock options for a cash consideration of \$455,232 and a transfer of \$304,568 from contributed surplus, as well as 934,500 Class A shares subsequent to the exercise of 934,500 warrants for a cash consideration of \$2,951,975 and a transfer of \$746,195 from warrants.

In addition, the Company issued 1,547,728 Class A shares subsequent to the exercise of the conversion of \$1,362,000 of convertible debenture. Amounts of \$1,228,655 and \$183,718 were transferred from the secured convertible debentures and from the secured convertible debentures included in equity, respectively.

Considering these issues, Noveko's capital stock consisted of 54,276,671 Class A shares as at December 31, 2007, compared with 50,615,881 as at June 30, 2007.

Escrowed Shares

In accordance with the requirements of the TSX Venture Exchange Inc., all of the 7,000,000 Class A shares issued for the acquisition of Lapjack (Canada) Ltd. were held in escrow under a securities escrow agreement. Under the terms of the agreement, 10% of the Class A shares held in escrow were released upon publication of the Final Exchange Bulletin and 15% of the additional Class A shares will be issued at six-month intervals in the 6th, 12th, 18th, 30 and 36th months following the initial release. As at December 31, 2007, 3,150,000 Class A shares were still held in escrow.

Other Contractual Commitments

As at December 31, 2007, the balance of contractual commitments under the terms of operating leases for premises maturing in 2016 amounted to \$1.1 million. Minimum lease payments over each of the next five years are as follows:

2008: \$299,924	2010: \$92,493	2012: \$80,777
2009: \$264,213	2011: \$80,777	

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 \$6,000,000. 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 second quarter ended December 31, 2007, the Company paid interest in the amount of \$815 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 operations and are measured at the exchange value, which is the amount of consideration established and agreed by the related parties.

On July 17, 2007, the Company acquired a building from a company whose shareholders directors exercise significant influence on the Company. This acquisition, not in the normal course of operations, was recorded at the market value determined by an independent real estate appraiser. The acquisition was settled by a cash consideration of \$1,200,000.

During the first six months of the current fiscal year, the Company sold medical equipment for a consideration of \$350,262 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.

Litigation

Besides the litigation for an outstanding doubtful account in Lebanon, an action has been instituted against the Company, the outcome of which is currently impossible to evaluate. A corporate shareholder has guaranteed any amounts payable up to a maximum of \$2.0 million in the event of an unfavorable judgment. Noveko's management is of the opinion that the suit is unfounded.

Requirements and Sources of Funds in 2007-2008

During fiscal 2007, Noveko focused significant efforts on arranging the financing needed for its 2008 growth by way of several issues and private placements. It expanded its investor base and increased its market capitalization more than tenfold, to \$225.2 million as at June 30, 2007. In addition, the exercise of the warrants and broker warrants issued on June 1st, 2007 should generate funds of \$17.6 million by the end of May 2009. As at February 27, 2008, 876,000 warrants were exercised. The funds raised in 2007 by way of private placements will be used primarily for intensified antimicrobial face mask and air filter marketing initiatives, product development, new R&D programs, the safeguarding of patents and working capital.

The Company plans to actively pursue its revenue growth, to improve its net earnings and to generate increased cash flows for the fiscal year ending June 30, 2008. The subsidiaries ECM and BLI should make a satisfactory contribution to internal growth in upcoming periods, considering the sustained market development efforts and planned marketing of new products that will meet existing demand. For its part, Noveko Inc. is expected to conclude its first sales of air filters and face masks in the coming months, while developing selling synergies with SyMa. These two subsidiaries are pursuing a targeted marketing strategy and their initiatives to establish solid distribution networks and new alliances in order to benefit from their antimicrobial product lines' considerable global potential.

Effectiveness of Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Chairman of the Board and Chief Executive Officer and the Vice-President and Chief Financial Officer have assessed the effectiveness of the Company's disclosure controls and procedures as at December 31, 2007, in accordance with the requirements of *Multilateral Instrument 52-109* of the Canadian Securities Administrators. They have concluded that, considering the Company's rapid development, there are certain deficiencies in the disclosure controls and procedures at the level of information technology and access control management. The Company intends to efficiently manage its accesses and to see to the adequate breakdown of tasks in the review of its new financial reporting processes. Furthermore, the Company is continuing to strengthen its internal accounting team.

Internal control over financial reporting is designed to provide reasonable assurance as to the reliability of financial reporting and the preparation of financial statements. The President and Chief Executive Officer and the Chief Financial Officer are nevertheless of the opinion that the design of these controls and procedures provides reasonable assurance that material information relating to the Company is made known to them, particularly during the periods in which the financial information is prepared for the publication and filing of annual documents.

Risks and Uncertainties

The risks and uncertainties described in the Annual Report as at June 30, 2007 remain unchanged. The reader is requested to refer thereto for the complete statement.

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