

Revised consolidated interim financial statements of

**NOVEKO INTERNATIONAL INC.**

Periods ended March 31, 2008 and 2007

# NOVEKO INTERNATIONAL INC.

Revised consolidated interim financial statements

Periods ended March 31, 2008 and 2007

## Revised interim financial statements

Consolidated balance sheets .....	1
Consolidated statements of operations.....	2
Consolidated statements of comprehensive loss .....	3
Consolidated statements of deficit and contributed surplus .....	4
Consolidated statements of cash flows.....	5
Notes to consolidated financial statements.....	6

# NOVEKO INTERNATIONAL INC.

## Consolidated balance sheets

As at March 31, 2008 and June 30, 2007

	March 31, 2008	June 30, 2007
	(unaudited) (revised)	(audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 182,610	\$ 2,668,494
Short-term investments	13,727,904	14,291,887
Accounts receivable (note 6)	4,518,971	2,494,052
Inventories	5,626,661	3,276,904
Prepaid charges	965,577	502,982
Investment in Canadian Immigrant Investor Program	-	3,087,423
	<b>25,021,723</b>	<b>26,321,742</b>
Fixed assets	6,974,138	5,605,250
Intangible assets	4,450,900	1,656,586
Other assets	1,315,870	911,354
Future income taxes	583,105	680,706
Goodwill	11,264,504	7,067,385
	<b>\$ 49,610,240</b>	<b>\$ 42,243,023</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Bank advances	\$ 800,552	\$ 18,287
Bank loan (note 7)	324,880	-
Accounts payable and accrued liabilities (note 8)	3,474,316	2,422,273
Loans under Canadian Immigrant Investor Program	-	3,087,423
Current portion of long-term debt	634,877	801,029
	<b>5,234,625</b>	<b>6,329,012</b>
Long-term debt	3,197,417	3,158,442
Secured convertible debentures	2,428,835	4,389,576
Future income taxes	1,689,725	1,014,814
Shareholders' equity:		
Capital stock (note 9)	49,083,352	33,570,722
Portion of the secured convertible debentures included in equity	611,537	918,735
Warrants (note 11)	3,054,907	4,667,446
Contributed surplus	5,555,125	1,325,504
Deficit	(21,695,722)	(12,672,254)
Accumulated other comprehensive loss (note 12)	450,439	(458,974)
	<b>37,059,638</b>	<b>27,351,179</b>
Financial statement disclosure (note 1)		
Commitments and subsequent events (note 15)		
	<b>\$ 49,610,240</b>	<b>\$ 42,243,023</b>

See accompanying notes to unaudited consolidated financial statements.

ON BEHALF OF THE BOARD,

\_\_\_\_\_, director

\_\_\_\_\_, director

# NOVEKO INTERNATIONAL INC.

## Consolidated statement of operations

Three and nine month periods ended March 31, 2008 and 2007  
(unaudited)

	Three months		Nine months	
	2008	2007	2008	2007
	(revised)		(revised)	
Revenues	\$ 3,559,944	\$ 3,439,976	\$ 10,171,027	\$ 9,801,834
Cost of sales	1,866,842	2,129,251	5,921,581	5,641,847
	1,693,102	1,310,725	4,249,446	4,159,987
Operating expenses:				
Administrative and selling expenses	2,849,181	1,884,279	7,732,258	4,443,506
Stock-based compensation	2,470,334	315,000	4,848,740	315,000
Research and development	53,257	(51,714)	333,002	148,284
Research and development tax credits	(15,216)	(1,275)	(267,803)	(190,616)
	5,357,556	2,146,290	12,646,197	4,716,174
Loss before amortization, financial expenses and income taxes	(3,664,454)	(835,565)	(8,396,751)	(556,187)
Amortization (note 5)	264,982	225,586	756,088	669,371
Financial expenses less investment revenues (note 5)	(50,727)	555,971	(11,505)	1,052,446
	214,255	781,557	744,583	1,721,817
Loss before income taxes	(3,878,709)	(1,617,122)	(9,141,334)	(2,278,004)
Income taxes:				
Current	43,511	53,897	45,569	289,788
Future	(78,161)	(68,833)	(185,364)	(266,903)
	(34,650)	(14,936)	(139,795)	22,885
Net loss	\$ (3,844,059)	\$ (1,602,186)	\$ (9,001,539)	\$ (2,300,889)
Basic and diluted earnings per share	\$ (0.07)	\$ (0.04)	\$ (0.17)	\$ (0.06)
Weighted average number of outstanding shares basic and diluted	55,281,253	41,216,726	53,562,687	40,735,583

See accompanying notes to consolidated financial statements.

# NOVEKO INTERNATIONAL INC.

Consolidated statements of comprehensive loss

Three and nine month periods ended March 31, 2008 and 2007  
(unaudited)

	Three months 2008 (revised)	2007	Nine months 2008 (revised)	2007
Net loss	<b>\$ (3,844,059)</b>	\$ (1,602,186)	<b>\$ (9,001,539)</b>	\$ (2,300,889)
Other comprehensive loss, net of income taxes:				
Change in unrealized gains on translation of financial statements of self-sustaining foreign operations	<b>845,329</b>	52,783	<b>909,413</b>	542,490
Comprehensive loss	<b>\$ (2,998,730)</b>	\$ (1,549,403)	<b>\$ (8,092,126)</b>	\$ (1,758,399)

See accompanying notes to unaudited consolidated financial statements.

# NOVEKO INTERNATIONAL INC.

## Consolidated statement of deficit and contributed surplus

Nine-month periods ended March 31, 2008 and 2007  
(unaudited)

	<b>March 31, 2008 (revised)</b>	March 31, 2007
<b>DEFICIT</b>		
Deficit, beginning of period	\$ (12,672,254)	\$ (5,693,747)
Restatement related to the new accounting policies regarding financial instruments (note 2)	3,161	-
Restated balance	(12,669,093)	(5,693,747)
Net loss	(9,001,539)	(2,300,889)
Share issuance fees	(25,090)	(30,062)
Deficit, end of period	\$ (21,695,722)	\$ (8,024,698)
<b>CONTRIBUTED SURPLUS</b>		
Contributed surplus, beginning of period	\$ 1,325,504	\$ 85,673
Fair market value of stock options granted	4,848,740	315,000
Fair value of stock options exercised	(619,119)	(9,000)
Contributed surplus, end of period	\$ 5,555,125	\$ 391,673

See accompanying notes to unaudited consolidated financial statements.

# NOVEKO INTERNATIONAL INC.

## Consolidated statement of cash flows

Three and nine month periods ended March 31, 2008 and 2007  
(unaudited)

	Three months		Nine months	
	2008	2007	2008	2007
	(revised)		(revised)	
<b>Cash flows from operating activities:</b>				
Net loss	\$ (3,844,059)	\$ (1,602,186)	\$ (9,001,539)	\$ (2,300,889)
Adjustments for :				
Future income taxes	(78,161)	(68,833)	(185,364)	(266,903)
Accreted interest on secured convertible debentures	100,248	325,360	361,622	481,080
Stock-based compensation	2,470,334	315,000	4,848,740	315,000
Amortization (note 5a))	264,982	225,586	756,088	669,371
Amortization – deferred financing costs	-	23,377	-	58,407
Gain on disposal of fixed assets	-	(41)	-	(2,156)
Loss on fair value of short-term investments	79,197	-	47,606	-
Foreign exchange loss (gain)	70	(4,187)	1,905	1,734
	<b>(1,007,389)</b>	<b>(785,924)</b>	<b>(3,170,942)</b>	<b>(1,044,356)</b>
Net change in non-cash working capital	<b>(1,286,977)</b>	<b>(20,211)</b>	<b>(3,464,063)</b>	<b>(287,925)</b>
	<b>(2,294,366)</b>	<b>(806,135)</b>	<b>(6,635,005)</b>	<b>(1,332,281)</b>
<b>Cash flows from financing activities:</b>				
Net changes in bank advances	439,580	18,948	718,177	222,154
Increase in bank loan	180,600	-	324,880	-
Increase in long-term debt	211,172	833,392	211,172	1,140,932
Principal repayment on long-term debt	(206,928)	(404,936)	(733,791)	(1,149,012)
Proceeds of secured convertible debentures issued less related fees	-	1,462	-	2,180,131
Interest paid on secured convertible debentures	(64,832)	(192,000)	(240,979)	(312,000)
Proceeds of Class A shares and warrants issued less related expenses	2,739,101	3,205	6,121,218	852,807
	<b>3,298,693</b>	<b>260,071</b>	<b>6,400,677</b>	<b>2,935,012</b>
<b>Cash flows from investing activities:</b>				
Business acquisition including bank overdraft assumed (note 4)	-	-	(525,403)	-
Acquisition of fixed assets	(364,602)	(136,112)	(1,772,879)	(608,796)
Proceeds from disposal of fixed assets	-	29	-	10,816
Government assistance related to acquisition of fixed assets	-	-	47,500	-
Acquisition of intangible assets	(10,368)	(4,946)	(20,118)	(37,240)
Proceeds from disposal of short-term investments	18,418,650	-	38,678,214	-
Acquisition of short-term investments	(19,197,644)	-	(38,180,203)	-
Acquisition of other assets	(49,505)	(18,666)	(326,152)	(117,265)
Deferred development costs	(77,507)	(164,348)	(242,456)	(258,493)
	<b>(1,280,976)</b>	<b>(324,043)</b>	<b>(2,341,497)</b>	<b>(1,010,978)</b>
Foreign exchange loss on cash in foreign currencies	89,219	6,097	89,941	52,871
Net change in cash and cash equivalents	<b>(187,430)</b>	<b>(864,010)</b>	<b>(2,485,884)</b>	<b>644,624</b>
Cash and cash equivalents, beginning of period	<b>370,040</b>	<b>2,134,728</b>	<b>2,668,494</b>	<b>626,094</b>
Cash and cash equivalents, end of period	<b>\$ 182,610</b>	<b>\$ 1,270,718</b>	<b>\$ 182,610</b>	<b>\$ 1,270,718</b>

Cash flows related to operating activities include interest paid for \$361,222 (\$547,319 in 2007) and income taxes paid for \$157,103 (\$272,134 in 2007).

See accompanying notes to consolidated financial statements.

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

March 31, 2008  
(unaudited)

---

Noveko International Inc. ("the Company"), is incorporated under the Canada Business Corporations Act, and operates in the following reportable segments:

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

## 1. Financial statements disclosure:

The unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. The financial information was prepared in accordance with the same accounting policies and methods as the audited annual financial statements for the year ended June 30, 2007. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements and accompanying notes. The results of operations for the interim period presented do not necessarily reflect results for the full year.

## 2. Changes in accounting policies:

On 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 follow:

### a) Comprehensive Income

Section 1530 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.

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2008  
(unaudited)

---

## 2. Changes in accounting policies (cont'd):

### b) Financial instruments

Section 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.

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 derivatives instruments embedded into hosts 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.

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2008  
(unaudited)

---

## 2. Changes in accounting policies (cont'd):

### b) Financial instruments (cont'd)

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, 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 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 did not have an impact on the Company's consolidated financial statements for the nine-month ended March 31, 2008.

## 3. 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") over a transitional period to be complete by 2011. The Company will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal year 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.

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2008  
(unaudited)

---

### 3. Future changes in accounting policies (cont'd):

- b) In December 2006, the CICA issued a new accounting standard, 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 two new accounting standards, 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 year 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 new accounting standard, 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 year 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 year beginning on or after October 1, 2008. The Company is currently evaluating the effects of adopting this standard.

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2008  
(unaudited)

---

#### 4. Business combination:

On July 26, 2007, the Company acquired 100% of outstanding shares of Laboratoire Syma Inc., a company operating in the manufacture of sanitizer products. The operations of this company were grouped in the segment of development and marketing of products in the biomedical and environmental fields. The acquisition was settled by a cash consideration of \$500,000 and by the issuance of 745,156 Class A shares accounting to \$4,932,933. The acquisition fees of \$16,976 are included in the acquisition price. The acquisition was accounted for under the purchase method and the operating results of the subsidiary are included in the consolidated financial statements from the acquisition date.

The fair value of the net assets acquired is attributed as follows and is subject to certain subsequent adjustments once all the expenses related to the transaction are known and a final evaluation of intangible assets has been completed:

---

Assets acquired:	
Accounts receivable	\$ 58,166
Inventories	117,922
Fixed assets	78,824
Intangible assets	3,033,390
Future income taxes	62,157
Goodwill	3,526,041
	<hr/>
	6,876,500
Liabilities assumed:	
Bank overdraft	8,427
Bank advances	64,088
Accounts payable and accrued liabilities	170,587
Long-term debt	209,111
Future income taxes	974,378
	<hr/>
	1,426,591
Net assets at fair value	<hr/>
	\$ 5,449,909
Consideration:	
Cash, including acquisition fees	\$ 516,976
Common shares issued (note 9 c)	4,932,933
	<hr/>
	\$ 5,449,909

---

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2008  
(unaudited)

## 5. Information on operations:

	Three months		Nine months	
	2008	2007	2008	2007
a) Amortization:				
Amortization of fixed assets	\$ 179,020	\$ 144,573	\$ 500,723	\$ 425,625
Amortization of intangible assets	85,962	42,102	254,368	121,570
Amortization of deferred development costs	-	38,911	997	122,176
	<b>\$ 264,982</b>	<b>\$ 225,586</b>	<b>\$ 756,088</b>	<b>\$ 669,371</b>
b) Financial expenses:				
Interest on loan due to a shareholder exercising significant influence	\$ 10	\$ 3,609	\$ 829	\$ 13,746
Interest on long-term debt	65,915	107,444	191,346	327,715
Accreted interest on convertible debentures	100,248	325,360	361,622	481,080
Amortization of deferred financing costs	-	23,377	-	58,407
Interest on bank loans and bank charges	25,432	55,887	62,259	137,076
Exchange loss	(136,968)	40,294	(151,107)	34,422
Investment revenues	(105,364)	-	(476,454)	-
	<b>\$ (50,727)</b>	<b>\$ 555,971</b>	<b>\$ (11,505)</b>	<b>\$ 1,052,446</b>

## 6. Accounts receivable:

	March 31 2008	June 30 2007
Trade	\$ 3,252,660	\$ 1,898,335
Trade – company under common significant influence	360,765	-
Sales taxes	240,222	113,203
Research and development tax credits	70,000	40,000
Advances to shareholders exercising significant influence	42,593	22,349
Receivable interest	102,223	134,319
Income taxes receivable	378,448	222,736
Others	72,060	63,110
	<b>\$ 4,518,971</b>	<b>\$ 2,494,052</b>

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2008  
(unaudited)

---

## 7. Bank loan:

The bank loan of an initial amount of 200,000 euros (\$324,880) bearing interest at prime rate of the financial institution plus 1.2 % is payable in April 2008.

## 8. Accounts payable and accrued liabilities:

	<b>March 31 2008</b>	June 30 2007
Trade	\$ 2,417,407	\$ 1,301,315
Accrued liabilities	440,171	539,589
Advances from a shareholder exercising significant Influence without interest	46,354	-
Salaries and deductions at source payable	570,384	581,369
	<b>\$ 3,474,316</b>	<b>\$ 2,422,273</b>

## 9. Capital stock:

### a) Authorized:

On March 31, 2008, authorized capital stock includes the followings:

Unlimited number of Class A shares, voting, participating, without par value;

Unlimited number of Class B shares, non-voting, non-participating, dividends at prime rate of Bank of Canada plus variable rates from 0% to 5% of issuance value cumulative or non cumulative, at board of directors' discretion, dividend with priority rank to Class A shares, redeemable at the option of the Company at an amount equal to the consideration received at issuance, without par value;

Unlimited number of Class C shares, non-voting, non-participating dividends at prime rate of Bank of Canada plus variable rates from 0% to 5% of issuance value cumulative or non cumulative, at board of directors' discretion, dividend with priority rank to Class A shares, redeemable at the option of the Company at an amount equal to the consideration received at issuance, without par value;

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2008  
(unaudited)

## 9. Capital stock (cont'd):

b) Issued:

	<b>March 31 2008</b>	June 30 2007
57,660,673 Class A shares (50,615,881 in June 2007)	<b>\$ 49,083,352</b>	\$ 33,570,722

c) Transactions during the period ended March 31, 2008:

- i) Issuance of 745,156 Class A shares for a total amount of \$4,932,933, in consideration of the acquisition of all the outstanding shares of Laboratoire Syma Inc.
- ii) Issuance of 913,407 Class A shares subsequent to the exercise of 913,407 stock options for a cash consideration of \$921,133 and a transfer of \$619,119 from contributed surplus.
- iii) Issuance of 3,038,500 Class A shares subsequent to the exercise of 3,038,500 warrants for a cash consideration of \$5,225,175 and a transfer of \$1,612,539 from warrants.
- iv) Issuance of 2,347,729 Class A shares subsequent to the exercise of conversion right of \$2,124,586 of convertible debenture. Amounts of \$1,894,533 and of \$307,198 were transferred from secured convertible debentures and from portion of secured convertible debentures included in equity, respectively.

d) Transactions during the year ended June 30, 2007:

- i) Issuance of 1,800,000 units for a total amount of \$900,000, of which \$840,000 in cash and \$60,000 in consideration of an amount owed to a supplier. 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 per share, and that, for a period of 24 months following its issuance. A value of \$144,000 was attributed to the warrants granted and the difference of \$756,000 was recorded in the capital stock.
- ii) Issuance of 9,200,000 units for a total amount of \$23,000,000 in consideration of \$23,000,000 in cash. 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. A value of \$3,420,886 was attributed to the warrants granted and the difference of \$19,579,114 was recorded in the capital stock.
- iii) Issuance of 80,002 Class A shares subsequent to the exercise of 80,002 stock options for a cash consideration of \$58,502 and a transfer of \$39,502 from contributed surplus.
- iv) Issuance of 52,000 Class A shares subsequent to the exercise of 52,000 warrants for a cash consideration of \$52,000 and a transfer of \$20,800 from warrants.

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2008  
(unaudited)

## 9. Capital stock (cont'd):

d) Transactions during the year ended June 30, 2007 (cont'd):

- v) Issuance of 100,000 Class A shares subsequent to the exercise of conversion right of \$88,000 of convertible debenture. Amounts of \$76,130 and of \$11,870 were transferred from secured convertible debentures and from portion of secured convertible debentures included in equity, respectively.

## 10. Stock option plan:

The Company instituted a stock option plan according to which options can be granted to its managers, directors, employees and to persons providing services on a continuous basis to the Company. Under this plan, 10,698,780 Class A shares were reserved. The exercise price of the options is equal to the Company's closing price of the day before the date on which the options are granted.

The following summarizes the changes in the plan position between June 30, 2007 and March 31, 2008:

	March 31, 2008		June 30, 2007	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of period	4,394,999	\$ 1.17	225,000	\$ 0.50
Granted	2,300,000	7.02	4,250,000	1.19
Exercised	(913,407)	1.01	(80,001)	0.73
Expired	(125,000)	2.12	-	-
Balance, end of period	5,656,592	\$ 3.55	4,394,999	\$ 1.17
Options that can be exercised at period-end	2,781,593	\$ 1.85	1,303,333	\$ 0.87

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2008  
(unaudited)

## 10. Stock option plan (cont'd):

The following is a summary of the information on the outstanding stock options as at March 31, 2008:

		Outstanding options	Exercisable options
Exercise price	Number	Weighted average outstanding maturity period (year)	Number
\$ 0.50	120,000	0.83	120,000
0.87	2,411,327	3.75	1,902,995
1.31	341,933	3.92	158,600
2.75	483,332	4.17	233,332
6.80	2,000,000	4.58	333,333
9.68	200,000	4.75	33,333
6.25	100,000	4.92	-
	5,656,592	4.08	2,781,593

a) Transactions during the period ended March 31, 2008:

During the period ended March 31, 2008, the Company has granted 2,300,000 stock options allowing the acquisition of 2,300,000 Class A share at a weighted average exercise price of \$7.02 with a vesting period extending over 18 months.

b) Transaction during the year ended June 30, 2007:

During the year, the Company has granted 4,250,000 stock options allowing the acquisition of 4,250,000 Class A share at a weighted average exercise price of \$0.99 with a vesting period extending over 18 months.

c) Compensation cost:

Compensation costs related to the stock option plan amount to \$4,848,740 for the period ended March 31, 2008 (\$315,000 for the period ended March 31, 2007).

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2008  
(unaudited)

## 10. Stock option plan (cont'd):

d) Fair value of the options:

The weighted average fair value of the 2,300,000 stock options granted during the period ended March 31, 2008 is \$5.20 each. This fair value was estimated as at the date on which the options were granted by using the Black-Sholes' options pricing model with the following assumptions:

Weighted average expected dividend rate	Nil
Weighted average volatility	95%
Weighted average risk-free interest rate	4.20%
Weighted average expected life of options	60 months

The weighted average fair value of the 4,250,000 stock options granted during the year ended June 30, 2007 is \$0.99 each. This fair value was estimated as at the date on which the options were granted by using the Black-Sholes' options pricing model with the following assumptions:

Weighted average expected dividend rate	Nil
Weighted average volatility	82%
Weighted average risk-free interest rate	3.99%
Weighted average expected life of options	60 months

## 11. Warrants:

The following summarizes the changes in the warrants position between June 30, 2007 and March 31, 2008:

	March 31, 2008		June 30, 2007	
	Warrant Number	Amount	Warrant Number	Amount
Balance, beginning of period	7,792,000	\$ 4,667,446	3,915,000	\$ 1,090,000
Granted	-	-	5,604,000	4,170,246
Exercised	(3,038,500)	(1,612,539)	(52,000)	(20,800)
Expired	-	-	(1,675,000)	(572,000)
Balance, end of period	4,753,500	\$ 3,054,907	7,792,000	\$ 4,667,446

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2008  
(unaudited)

---

## 11. Warrants (cont'd):

The following is a summary of the information on the outstanding warrants as at March 31, 2008:

---

Exercise price	Number	Weighted average outstanding maturity period (months)
\$ 1.00	200,000	1
1.00	40,000	3
1.00	200,000	6
3.35	4,313,500	14
	4,753,500	13

---

a) Transactions during the year ended June 30, 2007:

- i) Simultaneously with the issuance of 1,800,000 Class A shares, the Company granted 360,000 warrants allowing the purchase of 360,000 Class A shares at a price of \$1.00 per share until September 2008. A value of \$144,000 was attributed to the warrants granted.
- ii) Simultaneously with the issuance of 9,200,000 Class A shares, the Company granted 4,600,000 warrants allowing the purchase of 4,600,000 Class A shares at a price of \$3.35 per share until May 2009. A value of \$3,420,886 was attributed to the warrants granted. These warrants bear a provision for early exercise at the option of the Company, if the average price of Class A shares is or exceeds \$4.00 for 20 consecutive trading days commencing the 20<sup>th</sup> trading day prior to the expiry of the four month hold period to which those securities are subject.

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2008  
(unaudited)

---

## 11. Warrants (cont'd):

a) Transactions during the year ended June 30, 2007 (cont'd):

iii) Simultaneously with the issuance of 9,200,000 Class A shares, the Company granted 644,000 warrants to the brokers allowing the purchase of 644,000 Class A shares at a price of \$3.35 per share until May 2009. A value of \$605,360 was attributed to the warrants granted.

The fair value of warrants issued and described at iii) is \$0.94 each. The fair value was estimated at the date on which they were granted by using the Monte Carlo' pricing model with the following assumptions:

---

Expected dividend rate	Nil
Volatility	100%
Risk-free interest rate	4.57%
Expected life of options	24 months

---

## 12. Accumulated other comprehensive loss:

The changes that occurred during the nine-month period were as follows:

---

	March 31 2008
Restated opening balance due to the new accounting policies adopted regarding financial statements (note 2)	\$ (458,974)
Unrealized gain on translation of financial statements of Self-sustaining foreign operations	909,413
Balance, end of period	\$ 450,439

---

## 13. Segmented information:

The segmented information comprises three significant segments: development, manufacturing and marketing of medical equipment, custom processing and distribution of steel products and development and marketing of products in the biomedical and environmental fields.

These segments are managed separately and are assessed individually based on operating income before amortization, financial expenses and income taxes. Most of the businesses were acquired as a unit, and management at the time of the acquisition was retained.

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2008  
(unaudited)

## 13. Segmented information (cont'd):

The accounting policies of each segment are identical to those policies used for the consolidated financial statements.

For the period ended March 31, 2007, there were only two business segments, being the development, manufacturing and marketing of medical equipment and custom processing and distribution of steel products. Consequently, the comparative figures were modified to include the sector of development and marketing of products in the biomedical and environmental fields.

Information on the results and the assets of each segment:

	Three months		Nine months	
	2008 (revised)	2007	2008 (revised)	2007
Revenues from external clients :				
Manufacturing and distribution of medical equipment	\$ 1,531,426	\$ 1,942,809	\$ 4,803,622	\$ 5,260,458
Custom processing and distribution of steel products	1,789,434	1,497,167	4,923,804	4,541,376
Development of biomedical and environmental activities	89,089	-	293,601	-
Autres	150,000	-	150,000	-
	<b>\$ 3,559,944</b>	<b>\$ 3,439,976</b>	<b>\$ 10,171,027</b>	<b>\$ 9,801,834</b>
Loss before amortization, financial expenses and income taxes :				
Manufacturing and distribution of medical equipment	\$ (243,512)	\$ 520,613	\$ (195,312)	\$ 1,282,044
Custom processing and distribution of steel products	261,594	34,055	530,372	205,398
Development of biomedical and environmental activities	(1,122,069)	(612,581)	(2,890,947)	(683,784)
Other	(2,560,467)	(777,652)	(5,840,864)	(1,359,845)
	<b>\$ (3,664,454)</b>	<b>\$ (835,565)</b>	<b>\$ (8,396,751)</b>	<b>\$ (556,187)</b>
Amortization :				
Manufacturing and distribution of medical equipment	\$ 38,651	\$ 29,900	\$ 106,350	\$ 169,855
Custom processing and distribution of steel products	137,364	181,534	407,835	456,245
Development of biomedical and environmental activities	69,589	14,423	190,628	43,271
Other	19,378	-	51,275	-
	<b>\$ 264,982</b>	<b>\$ 225,586</b>	<b>\$ 756,088</b>	<b>\$ 669,371</b>
Interest expense :				
Manufacturing and distribution of medical equipment	\$ 4,917	\$ 100,953	\$ 55,888	\$ 134,315
Custom processing and distribution of steel products	73,439	113,131	178,336	322,866
Development of biomedical and environmental activities	7,603	-	14,588	-
Other	105,646	278,216	367,244	502,436
	<b>\$ 191,605</b>	<b>\$ 492,300</b>	<b>\$ 616,056</b>	<b>\$ 959,617</b>

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2008  
(unaudited)

## 13. Segmented information (cont'd):

Information on the results and the assets of each segment (cont'd):

	Three months		Nine months	
	2008	2007	2008	2007
	(revised)		(revised)	
Income taxes :				
Manufacturing and distribution of medical equipment	\$ -	\$ 53,897	\$ -	\$ 297,972
Custom processing and distribution of steel products	45,297	(68,833)	28,950	(275,087)
Development of biomedical and environmental activities	(79,947)	-	(167,256)	-
Other	-	-	(1,489)	-
	<b>\$ (34,650)</b>	<b>\$ (14,936)</b>	<b>\$ (139,795)</b>	<b>\$ 22,885</b>
Net profit (loss) :				
Manufacturing and distribution of medical equipment	\$ (243,583)	\$ 302,881	\$ (322,117)	\$ 654,073
Custom processing and distribution of steel products	21,290	(191,777)	(84,884)	(298,626)
Development of biomedical and environmental activities	(1,117,270)	(627,004)	(2,928,907)	(727,055)
Other	(2,504,496)	(1,086,286)	(5,665,631)	(1,929,281)
	<b>\$ (3,844,059)</b>	<b>\$ (1,602,186)</b>	<b>\$ (9,001,539)</b>	<b>\$ (2,300,889)</b>
Fixed asset expenditures :				
Manufacturing and distribution of medical equipment	\$ 304,461	\$ 287,808	\$ 545,600	\$ 676,164
Custom processing and distribution of steel products	64,212	17,569	68,097	217,549
Development of biomedical and environmental activities	-	-	5,305	-
Other	133,309	18,666	1,742,603	117,265
	<b>\$ 501,982</b>	<b>\$ 324,043</b>	<b>\$ 2,361,605</b>	<b>\$ 1,010,978</b>
Assets:				
Manufacturing and distribution of medical equipment			\$ 13,589,174	\$ 10,947,119
Custom processing and distribution of steel products			11,170,251	11,501,211
Development of biomedical and environmental activities			8,614,648	2,995,869
Other			16,236,167	16,798,824
			<b>\$ 49,610,240</b>	<b>\$ 42,243,023</b>

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2008  
(unaudited)

## 13. Segmented information (cont'd):

The geographical distribution of capital assets and goodwill of the Company is as follows:

	<b>March 31 2008</b>	June 30 2007
Canada	<b>\$ 11,644,830</b>	\$ 6,984,628
France	<b>6,593,812</b>	5,688,007
	<b>\$ 18,238,642</b>	\$ 12,672,635

The geographical distribution of revenues of the company is as follows:

	Three months		Nine months	
	2008	2007	2008	2007
Canada	<b>\$ 2,060,620</b>	\$ 1,598,104	<b>\$ 5,556,022</b>	\$ 4,890,993
Latin America	<b>102,664</b>	76,101	<b>325,209</b>	168,000
United States	<b>76,302</b>	134,165	<b>507,058</b>	247,468
Europe	<b>1,203,188</b>	1,250,483	<b>2,912,200</b>	3,395,666
Africa, Asia and Australia	<b>117,170</b>	381,123	<b>870,538</b>	1,099,707
<b>Total revenues</b>	<b>\$ 3,559,944</b>	\$ 3,439,976	<b>\$ 10,171,027</b>	\$ 9,801,834

## 14. Related-party transactions:

- a) During the period ended March 31, 2008, the Company paid interest in the amount of \$829 (\$13,746 for the nine-month period ended March 31, 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 operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.
- b) 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.
- c) During the nine-month period ended March 31, 2008, the Company sold medical equipment for an amount of \$350,362 to a company whose shareholders directors exercise significant influence on the Company. 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 to by the related parties

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2008  
(unaudited)

---

## 15. Commitments and subsequent events:

- a) On January 10, 2008, the Company has signed a letter of intent to acquire Purer Life, a Taiwan-based company specialized in the manufacture of filtration fabric. On February 4, 2008, the Company agreed with Purer Life and its shareholders on the terms and conditions of such transaction. The Company will purchase all of the issued and outstanding shares of Purer Life and those of a firm of the same group for a cash consideration of \$2,500,000 and by the issuance of 1,100,000 Class A shares. This transaction is subject to the approval of Taiwan investment authorities and of the TSX Venture Exchange.
- b) On April 7, 2008, the lawsuit in the amount of \$1,972,017 intended in 2003 against the Company has been settled out of court through the discontinuance of the action by the plaintiffs. The discontinuance of the action by the plaintiffs was accepted by the Company in consideration of a \$30,000 compensation. In consideration of the foregoing, the plaintiffs and the company mutually granted the other party full and final discharge.
- c) On April 29, 2008, the Company agreed, by signing an offer to purchase, to acquire Magnum Pharmaceuticals Inc., a management services company specialized in the commercialization of pharmaceutical and related products in Canada and worldwide. The company will buy all the issued and outstanding shares in consideration of \$3,000,000, payable by a number of Class A shares equal to \$3,000,000 divided by the closing price of Class A shares on the trading day immediately preceding the transaction closing date.
- d) On May 27, 2008, the Company agreed, by signing an offer to purchase, to acquire Unitam International Management Inc., an international business service and representation agency established in North America and China. The company will buy all the issued and outstanding shares in consideration of \$250,000 in cash and the issuance of 500,000 Class A shares.

## 16. Comparative figures:

Certain comparative figures have been reclassified to conform with presentation of the current period.

# NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2008  
(unaudited)

---

## 17. Revised financial statements

The refilling and restatement of these interim financial 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 was 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, was recognized not in the period where such options began to be vested (During the nine months period ended March 31, 2008 as shown by the Company in its interim financial statements) but in the period where they were granted (The six months period ended December 31, 2007) on a linear basis.

The stock-based compensation expense for the nine month period ended March 31, 2008 is increased by \$1,800,156. Consequently, net loss, comprehensive loss, and contributed surplus for the nine month period ended March 31, 2008, should be increased by \$1,800,156 to a total of \$9,001,539 or \$0.17 per share, to \$8,092,126 and to \$5,555,125 respectively.