

Consolidated interim financial statements of

NOVEKO INTERNATIONAL INC.

Three-month periods ended September 30, 2008 and 2007

NOVEKO INTERNATIONAL INC.

Consolidated interim financial statements

Three-month periods ended September 30, 2008 and 2007

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 September 30, 2008 and June 30, 2008

	September 30 2008	June 30 2008
	(unaudited)	(audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 616,933	\$ 11,594,335
Deposit for acquisition	65,820	1,274,625
Short-term investments	17,296,168	12,516,884
Accounts receivable	5,116,617	5,092,191
Inventories	7,538,871	5,868,045
Prepaid expenses	565,615	820,119
	31,200,084	37,166,199
Fixed assets	8,669,828	7,206,885
Intangible assets	8,690,778	2,572,372
Other assets	1,096,602	1,442,283
Future income taxes	761,866	762,311
Goodwill	20,665,478	13,708,240
	\$ 71,084,636	\$ 62,858,290
Liabilities and shareholders' equity		
Current liabilities:		
Bank advances	\$ 1,405,421	\$ 1,112,665
Bank loan	522,305	561,435
Accounts payable and accrued liabilities	4,778,164	4,318,727
Current portion of long term debt	764,609	636,116
	7,470,499	6,628,943
Long-term debt	3,664,937	3,086,827
Secured convertible debentures	1,715,129	2,462,909
Future income taxes	2,722,172	906,464
Shareholders' equity:		
Capital stock (note 6)	80,040,736	70,084,061
Portion of secured convertible debentures included in equity	372,473	611,537
Warrants (note 8)	-	85,983
Contributed surplus	11,038,601	7,967,778
Accumulated other comprehensive income (loss) (note 9)	(70,453)	347,359
Deficit	(35,869,458)	(29,323,571)
	55,511,899	49,773,147
Financial statements disclosure (note 1)		
Subsequent events (note 14)		
	\$ 71,084,636	\$ 62,858,290

See accompanying notes to consolidated financial statements.

On behalf of the board,

(signed) *André Leroux*, Director

(signed) *Léon Assayag*, Director

NOVEKO INTERNATIONAL INC.

Consolidated statements of operations

Three-month periods ended September 30, 2008 and 2007
(unaudited)

	September 30 2008	September 30 2007
Revenues	\$ 4,277,096	\$ 2,802,348
Cost of sales	<u>2,828,752</u>	<u>1,858,041</u>
	1,448,344	944,307
Operating expenses:		
Administrative and selling expenses	3,927,288	2,281,545
Stock-based compensation	3,070,823	565,167
Research and development	412,909	59,490
Research and development tax credits	<u>(40,000)</u>	<u>(10,000)</u>
	7,371,020	2,896,202
Loss before the following items and income taxes	<u>(5,922,676)</u>	<u>(1,951,895)</u>
Amortization (note 5 a))	458,991	234,748
Financial expenses less investments revenues (note 5 b))	<u>357,912</u>	<u>95,624</u>
	816,903	330,372
Loss before income taxes	<u>(6,739,579)</u>	<u>(2,282,267)</u>
Income taxes :		
Recovered	(122,743)	-
Future	<u>(77,706)</u>	<u>(87,190)</u>
	(200,449)	(87,190)
Net loss	<u>\$ (6,539,130)</u>	<u>\$(2,195,077)</u>
Basic and diluted earnings per share	<u>\$ (0.10)</u>	<u>\$ (0.04)</u>
Weighted average number of outstanding shares, basic and diluted	<u>65,542,241</u>	<u>51,697,758</u>

See accompanying notes to unaudited consolidated financial statements.

NOVEKO INTERNATIONAL INC.

Consolidated statements of comprehensive loss

Three-month periods ended September 30, 2008 and 2007
(unaudited)

	September 30 2008	September 30 2007
Net loss	\$ (6,539,130)	\$ (2,195,077)
Other comprehensive income, net of income taxes:		
Change in unrealized losses on translation of financial statements of self-sustaining foreign operations	(417,812)	(103,356)
Comprehensive loss	\$ (6,956,942)	\$ (2,298,433)

See accompanying notes to unaudited consolidated financial statements.

NOVEKO INTERNATIONAL INC.

Consolidated statements of deficit and contributed surplus

Three-month periods ended September 30, 2008 and 2007
(unaudited)

	September 30 2008	September 30 2007
DEFICIT		
Deficit, beginning of period	\$(29,323,571)	\$(12,672,254)
Restatement related to the new accounting policies (note 2)	49,243	3,161
Restated balance	(29,274,328)	(12,669,093)
Net loss	(6,539,130)	(2,195,077)
Share issuance fees	(56,000)	(25,090)
Deficit, end of period	\$(35,869,458)	\$(14,889,260)
CONTRIBUTED SURPLUS		
Contributed surplus, beginning of period	\$ 7,967,778	\$ 1,325,504
Fair value of stock options granted	3,070,823	565,167
Fair value of stock options exercised	-	(224,529)
Contributed surplus, end of period	\$ 11,038,601	\$ 1,666,142

See accompanying notes to unaudited consolidated financial statements.

NOVEKO INTERNATIONAL INC.

Consolidated statements of cash flows

Three-month periods ended September 30, 2008, and 2007
(unaudited)

	September 30 2008	September 30 2007
Cash flows from operating activities:		
Net loss	\$ (6,539,130)	\$ (2,195,077)
Adjustments for:		
Future income taxes	(77,706)	(87,190)
Accreted interest on secured convertible debentures	73,589	147,909
Stock-based compensation	3,070,823	565,167
Amortization (note 5 a))	458,991	234,748
Loss on fair value of short-term investments	75,350	45,754
Foreign exchange loss (gain)	(3,278)	1,583
	(2,941,361)	(1,287,106)
Net change in non-cash working capital	(821,520)	(626,654)
	(3,762,881)	(1,913,760)
Cash flows from financing activities:		
Net changes in bank advances	187,305	(68,216)
Increase in bank loan	-	141,660
Repayment of long-term debt	(155,740)	(317,445)
Interest paid on secured convertible debentures	(46,416)	(56,747)
Proceeds from Class A shares and warrants issued	3,951,575	408,822
Class A shares issue expenses	(12,800)	(25,090)
	3,563,924	82,984
Cash flows from investing activities:		
Business acquisitions including cash and bank overdraft assumed (note 4)	(5,797,951)	(525,403)
Acquisition of short-term investments	(24,716,367)	-
Proceeds from disposal of short-term investments	20,228,803	1,003,490
Acquisition of fixed assets	(282,905)	(1,314,461)
Acquisition of intangible assets	(106,860)	(7,500)
Deposit for acquisition	6,765	-
Deferred development costs, net of related research tax credits received	(84,546)	(59,030)
	(10,753,061)	(902,904)
Foreign exchange gain on cash in foreign currencies	(25,324)	(11,908)
Decrease in cash and cash equivalents	(10,977,342)	(2,745,588)
Cash and cash equivalents, beginning of period	11,594,335	2,668,494
Cash and cash equivalents, end of period	\$ 616,993	\$ (77,094)

Cash flows related to operating activities include interest paid of \$132,290 (\$171,467 as at September 30, 2007) and income taxes received of \$33,807 (paid \$46,340 as at September 30, 2007).

See accompanying notes to unaudited consolidated financial statements.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

September 30, 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, 2008. 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.

The consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries as at June 30, 2008, acquired businesses during the three-month period ended September 30, 2008 (see note 4) and its wholly-owned subsidiary recently created, Noveko Taiwan Co., LTD.

2. Changes in accounting policies:

Effective July 1, 2008, the Company adopted new accounting recommendations from the Canadian Institute of Chartered Accountants (CICA), Handbook Section 1535 – Capital Disclosures, Section 3031 – Inventories, Section 3862 – Financial Instruments – Disclosure, and Section 3863 – Financial Instruments – Presentation.

Section 1535 specifies the requirements for the disclosure of both qualitative and quantitative information that enable users of financial statements to evaluate the Company's objectives, policies and processes for managing capital (see note 11).

Section 3031, Inventories, provides more extensive guidance on the recognition and measurement of inventories, and related disclosures. Upon adoption of this new section, in accordance with the transition rules, the Company has adjusted opening retained earnings as if the new rules had always been applied in the past, without restating comparative figures for prior years. Accordingly, the following adjustments were recorded in the consolidated financial statements as of July 1st, 2008:

- \$43 249 increase in inventories
- \$43 249 decrease of the deficit

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

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

Section 3862 and Section 3863 replace Section 3861, Financial Instruments – Disclosure and Presentation. These new recommendations relate only to disclosure requirements and had no impact on the company's financial statements (see note 12).

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 completed by 2011. The Company will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will convert to these new standards according to the timetable set with these rules and will closely monitor changes arising from this convergence.
- b) In January 2008, the CICA issued Section 3064, *Goodwill and Intangible assets*, which provides guidance on the recognition of intangible assets and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the effects of adopting this standard.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

4. Business acquisition:

a) Transactions during the period ended September 30, 2008:

- i) On July 10, 2008, the Company acquired 100% of the outstanding shares of Unitam International Management Corporation Inc., an international business development service agency established in North America and Asia. 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 \$250,000 and by the issuance of 500,000 Class A shares amounting to \$1,976,500. The acquisition fees of \$21,841 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:	
Cash	\$ 472
Accounts receivable	31,542
Prepaid expenses	10,605
Deposits	53,472
Fixed assets	36,892
Deferred costs	1,572
Goodwill	2,355,206
	<hr/> 2,489,761
Liabilities assumed:	
Accounts payable and accrued liabilities	228,749
Long term debt	1,138
Deferred revenues	11,533
	<hr/> 241,420
Net assets at fair value	<hr/> \$ 2,248,341
Consideration:	
Cash, including acquisition fees	\$ 271,841
Class A shares issued (note 6 c) i))	1,976,500
	<hr/> \$ 2,248,341

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

4. Business acquisition (cont'd):

a) Transactions during the period ended September 30, 2008 (cont'd):

- ii) On July 17, 2008, the Company acquired 100% of the outstanding shares of SARL Noveko Algérie, a medical equipment import company. The operations of this company were grouped in the segment of development, manufacturing and marketing of medical equipment. SARL Noveko Algérie was owned by shareholder's directors exercising significant influence on the Company. The acquisition was settled by the issuance of 240,000 Class A shares amounting to \$921,120. The acquisition fees of \$85,906 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:	
Cash	\$ 62,712
Short-term investments	8,450
Accounts receivable	227,187
Inventories	560,187
Prepaid expenses	71,736
Fixed assets	127,851
Intangible assets	59,651
Deferred costs	4,772
Future income taxes	43,274
Goodwill	680,996
	<hr/> 1,843,816
Liabilities assumed:	
Accounts payable and accrued liabilities	142,395
Advances	677,091
Future income taxes	17,304
	<hr/> 836,790
Net assets at fair value	<hr/> \$ 1,007,026
Consideration:	
Acquisition fees	\$ 85,906
Class A shares issued (note 6 c) ii)	921,120
	<hr/> \$ 1,007,026

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

4. Business acquisition (cont'd):

a) Transactions during the period ended September 30, 2008 (cont'd):

iii) On July 18, 2008, the Company acquired 100% of the outstanding shares of Groupe Conseil Micron-Air inc. and 100% of the outstanding shares of Gestion Simon Labrègue Inc., a designer and manufacturer of air quality systems targeted to the residential market. 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 \$800,000 and by the issuance of 600,000 Class A shares amounting to \$2,302,800. The acquisition fees of \$19,171 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:	
Cash	\$ 84
Accounts receivable	308,072
Inventories	454,277
Prepaid expenses	22,036
Fixed assets	1,170,262
Intangible assets	1,289,226
Goodwill	1,604,193
	<hr/> 4,848,150
Liabilities assumed:	
Bank overdraft	31,629
Bank advances	105,451
Accounts payable and accrued liabilities	220,910
Long-term debt	947,006
Future income taxes	421,183
	<hr/> 1,726,179
Net assets at fair value	<hr/> \$ 3,121,971 <hr/>
Consideration:	
Cash, including acquisition fees	\$ 819,171
Class A shares issued (note 6 c) iv))	2,302,800
	<hr/> \$ 3,121,971 <hr/>

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

4. Business acquisition (cont'd):

a) Transactions during the period ended September 30, 2008 (cont'd):

iv) On August 1st, 2008, the Company acquired 100% of the outstanding shares of Purer Life Technology Co., Ltd. and acquired 100% of the outstanding shares of U-Bond Inc. Companies whose specialize in the development and manufacture of filtration fabrics. 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 \$5,857,040. The acquisition fees of \$402,452 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:	
Cash	\$ 14,417
Accounts receivable	102,226
Inventories	363,011
Prepaid expenses	23,305
Fixed assets	127,717
Intangible assets	4,850,000
Goodwill	2,632,557
	<hr/> 8,113,233
Liabilities assumed:	
Accounts payable and accrued liabilities	352,716
Deferred revenues	2,375
Future income taxes	1,498,650
	<hr/> 1,853,741
Net assets at fair value	<hr/> \$ 6,259,492
Consideration:	
Cash, including acquisition fees	\$ 6,259,492
	<hr/> \$ 6,259,492

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

4. Business acquisition (cont'd):

b) Transactions during the year ended June 30, 2008:

- i) On July 26, 2007, the Company acquired 100% of the outstanding shares of Laboratoire Syma Inc., a company operating in the manufacturing 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 amounting 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:

Assets acquired:	
Accounts receivable	\$ 58,166
Inventories	117,922
Fixed assets	78,824
Intangible assets	575,840
Future income taxes	62,157
Goodwill	5,196,559
	<hr/> 6,089,468
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	187,346
	<hr/> 639,559
Net assets at fair value	<hr/> \$ 5,449,909
Consideration:	
Cash, including acquisition fees	\$ 516,976
Class A shares issued (note 6 d) i))	4,932,933
	<hr/> \$ 5,449,909

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

4. Business acquisition (cont'd):

b) Transactions during the year ended June 30, 2008 (cont'd):

- ii) On June 10, 2008, the Company acquired 100% of the outstanding shares of Magnum Pharmaceuticals Inc., a management services company specialized in the commercialization of pharmaceutical and related products in Canada and worldwide. 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 the issuance of 618,557 Class A shares amounting to \$3,009,279. The acquisition fees of \$35,444 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:

Assets acquired:	
Accounts receivable	\$ 93,112
Prepaid expenses	15,500
Fixed assets	5,018
Intangible assets	436,000
Goodwill	2,748,872
	<hr/> 3,298,502
Liabilities assumed:	
Bank overdraft	15,627
Accounts payable and accrued liabilities	98,632
Future income taxes	139,520
	<hr/> 253,779
Net assets at fair value	<hr/> \$ 3,044,723 <hr/>
Consideration:	
Cash, including acquisition fees	\$ 35,444
Class A shares issued (note 6 d) ii)	3,009,279
	<hr/> \$ 3,044,723 <hr/>

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

5. Information on operations:

	September 30 2008	September 30 2007
a) Amortization :		
Amortization of fixed assets	\$ 209,376	\$ 159,518
Amortization of intangible assets	183,349	74,233
Amortization of deferred development costs	66,046	997
Amortization of deferred costs	220	-
	\$ 458,991	\$ 234,748
b) Financial expenses:		
Interest on loans due to a company shareholder exercising significant influence	\$ -	\$ 819
Interest on long-term debt	75,055	74,721
Accreted interests on convertible debentures	73,589	147,909
Interest on bank loan and bank charges	37,370	13,015
Foreign exchange loss	181,429	19,517
Investment revenues	(161,544)	(206,111)
Fair value variation of short-term investments	75,350	45,754
Fair value variation of derivative instruments	76,663	-
	\$ 357,912	\$ 95,624

6. Capital stock:

a) Authorized:

On September 30, 2008, the authorized capital stock includes the following:

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

Unlimited number of Class B shares, non-voting, non-participating, dividends at the Bank of Canada's prime rate plus a percentage varying 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 the Bank of Canada's prime rate plus a percentage varying from 0% to 5% of issuance value, cumulative or non-cumulative, at Board of Directors' discretion, dividend with priority rank to Class A and Class B 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)

September 30, 2008
(unaudited)

6. Capital stock (cont'd):

b) Issued:

	September 30 2008	June 30 2008
66,547,027 Class A shares (63,087,727 in June 2008)	\$ 80,040,736	\$ 70,084,061

c) Transactions during the period ended September 30, 2008:

- i) Issuance of 500,000 Class A shares for a total amount of \$1,976,500, in consideration of the acquisition of all the outstanding shares of Unitam International Management Corporation Inc.
- ii) Issuance of 240,000 Class A shares for a total amount of \$921,120, in consideration of the acquisition of all the outstanding shares of SARL Noveko Algérie.
- iii) Issuance of 16,800 Class A shares for a total amount of \$64,680, in consideration of fees paid for the acquisition of all the outstanding shares of SARL Noveko Algérie.
- iv) Issuance of 600,000 Class A shares for a total amount of \$2,302,800, in consideration of the acquisition of all the outstanding shares of Groupe Conseil Micron-Air Inc and Gestion Simon Labrecque Inc.
- v) Issuance of 202,500 Class A shares following the exercise of 202,500 warrants for a cash consideration of \$236,575 and a transfer of \$85,983 from warrants.
- vi) Issuance of 800,000 Class A shares following the exercise of conversion right of \$1,000,000 of convertible debentures. Amounts of \$774,953 and of \$239,064 were transferred from secured convertible debentures and from the equity component of secured convertible debentures included in equity, respectively.
- vii) Issuance of 1,100,000 Class A shares for a total amount of \$3,355,000.

d) Transactions during the year ended June 30, 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 618,557 Class A shares for a total amount of \$3,009,279, in consideration of the acquisition of all the outstanding shares of Magnum Pharmaceuticals Inc.
- iii) Issuance of 1,188,404 Class A shares following the exercise of 1,188,404 stock options for a cash consideration of \$1,182,380 and a transfer of \$798,367 from contributed surplus.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

6. Capital stock (cont'd):

- iv) Issuance of 7,572,000 Class A shares following the exercise of 7,572,000 warrants for a cash consideration of \$19,820,200 and a transfer of \$4,568,449 from warrants.
- v) Issuance of 2,347,729 Class A shares following the exercise of conversion right of \$2,124,586 of convertible debentures. Amounts of \$1,894,533 and of \$307,198 were transferred from secured convertible debentures and from the equity component of secured convertible debentures included in equity, respectively.

7. Stock option plan:

The Company instituted a fixed stock option plan for which options can be granted to its officers, 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 quoted share price at the preceding date on which the options are granted.

The following table summarizes the changes in the plan position between June 30, 2008 and September 30, 2008:

	September 30, 2008		June 30, 2008	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of period	5,981,595	\$ 3.77	4,394,998	\$ 1.17
Granted	1,800,000	3.55	2,900,000	6.51
Exercised	-	-	(1,188,404)	0.99
Expired	-	-	(124,999)	2.12
Balance, end of period	7,781,595	\$ 3.72	5,981,595	\$ 3.77
Options that can be exercised at end of period	4,214,928	\$ 2.81	3,539,930	\$ 2.34
Weighted average fair value of options granted during the period		\$ 2.63		\$ 4.66

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

7. Stock option plan (cont'd):

The following table summarizes the information on the outstanding stock options as at September 30, 2008:

		Outstanding options	Exercisable options
Exercise price	Number	Weighted average outstanding maturity period (year)	Number
\$ 0.50	120,000	0.38	120,000
0.87	2,186,329	3.25	2,186,329
1.31	291,934	3.42	291,934
2.75	483,332	3.67	383,332
6.80	2,000,000	4.08	1,000,000
9.68	200,000	4.25	100,000
6.25	100,000	4.42	33,333
4.85	400,000	4.67	66,667
3.95	200,000	4.67	33,333
3.98	200,000	4.83	-
3.82	200,000	4.83	-
3.85	200,000	4.83	-
3.52	350,000	4.83	-
3.05	200,000	4.92	-
2.49	250,000	4.92	-
3.98	400,000	5.00	-
	7,781,595	3.99	4,214,928

a) Transaction during the period ended September 30, 2008:

The Company has granted 1,800,000 stock options allowing the acquisition of 1,800,000 Class A shares at a weighted average exercise price of \$3.55 with a vesting period extending over 18 months.

b) Transaction during the year June 30, 2008:

The Company has granted 2,900,000 stock options allowing the acquisition of 2,900,000 Class A shares at a weighted average exercise price of \$6.51 with a vesting period extending over 18 months.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

7. Stock option plan (cont'd):

c) Compensation costs:

Compensation costs related to the stock option plan amount to \$3,070,823 for the period ended September 30, 2008 (\$565,167 for the period ended September 30, 2007).

d) Fair value of the options:

The fair value of the options was estimated as at the date on which the options were granted by using the Black-Scholes' options pricing model with the following assumptions:

	September 30 2008	June 30 2008
Weighted average expected dividend rate	Nil	Nil
Weighted average volatility	96%	95%
Weighted average risk-free interest rate	3.23%	4.03%
Weighted average expected life of options	60 months	60 months

8. Warrants:

The following table summarizes the changes in the warrants position between June 30, 2008 and September 30, 2008:

	September 30, 2008		June 30, 2008	
	Warrant Number	Amount	Warrant Number	Amount
Balance, beginning of period	202,500	\$ 85,983	7,792,000	\$ 4,667,446
Exercised	(202,500)	(85,983)	(7,572,000)	(4,568,449)
Expired	-	-	(17,500)	(13,014)
Balance, end of period	-	\$ -	202,500	\$ 85,983

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

9. Accumulated other comprehensive income (loss):

The changes that occurred during the period were as follows:

	September 30 2008	Septembre 30 2007
Restated opening balance due to the new accounting policies adopted regarding financial instruments	\$ 347,359	\$ (458,974)
Unrealized loss on translation of financial statements of self-sustaining foreign operations	(417,812)	(103,356)
Balance, end of period	\$ (70,453)	\$ (562,330)

10. Related party transactions:

During the period ended September 30, 2008, the Company paid interest in the amount of \$ - (\$819 for the period ended September 30, 2007) to a corporate shareholder exercising significant influence. This amount was charged to financial expenses in the statement of operations. These transactions were concluded in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

11. Capital Management:

The Company's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Company takes into account the asset characteristics of its subsidiaries and planned requirements for funds. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash on hand.

Since the last financial year, the Company has not significantly changed its strategy regarding the management of the capital structure of its continuing operations.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

11. Capital Management (cont'd):

The capital structure of the Company is composed of shareholders' equity, bank loan, long-term debt, convertible debentures, liabilities related to derivative financial instruments, less cash, cash equivalents and short term investments.

The Company met all of its long term debt's covenants and is not subject to any externally imposed capital requirements.

12. Financial instruments:

The Company has exposure to interest rate, currency, counterparty credit, and liquidity risks. The Company's primary risk management objective is to protect the Company's balance sheet, earnings and cash flow in support of achieving return on equity.

The Company financial risk management activities are governed by Board-approved financial policies that cover risk identification, tolerance, measurement, hedging limits, hedging products, authorization levels, and reporting.

a) Interest rate risk:

Interest rate risk is the risk the fair value or the future cash flows of a financial instrument fluctuate due to change in market interest rates.

As at September 30, 2008, a 0.5% decrease or increase of the interest rates and assuming that all other variables remain constant, would not had a significant impact on the Company's loss and comprehensive loss for the period and the year ended June 30, 2008.

b) Currency risk:

Currency risk is the risk that the future cash flows of foreign currency financial instruments will fluctuate due to changes in the foreign exchange rate of the Canadian dollar against the foreign currencies.

The Company is exposed to exchange risk due to its exports of goods manufactured in Canada and sold into the United States, Europe, Asia, Latin America and the Middle-East. These risks are partly offset by its purchases of goods in US dollars.

The Company's policy is to hedge a portion of future foreign currency denominated cash flows using forward foreign exchange contracts to reduce the potential negative effect of a strengthening American dollar or Euro versus Canadian dollar.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

12. Financial instruments (cont'd):

b) Currency risk (cont'd):

The Company is exposed to currency risk denominated either in American dollar or Euro, as shown in the following table:

	<u>US</u> September 30 2008	<u>US</u> June 30 2008	<u>Euro</u> September 30 2008	<u>Euro</u> June 30 2008
Cash	\$ 97,301	\$ 194,308	\$ -	\$ -
Accounts receivable	1,983,666	1 578,833	536,443	346,946
Accounts payable	108,250	112,836	3,320	-

Based on the above exposures as at September 30, 2008, and assuming that all other variables remain constant, a 5% depreciation or appreciation of the Canadian dollars against the American dollars, and Euro would result in an decrease or increase in the Company's net loss and comprehensive loss of approximately \$132 000.

c) Counterparty credit risk:

The Company invests surplus cash in short-term investments, sells its product to customers on standard market credit terms and purchase derivative instruments. These activities expose the Company to counterparty credit risk that would result if the counterparty failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company.

Accounts receivable credit risk is mitigated through established credit management techniques, including conducting financial and other assessments to establish and monitor a customer's creditworthiness, setting customer limits and monitoring exposures against these limits.

Surplus cash is only invested with counterparties meeting minimum credit quality requirements and issuer and concentration limits. Derivative transactions are executed only with approved high-quality counterparties under master netting agreements. The Company monitors and manages its concentration of counterparty credit risk on an ongoing basis.

The Company's maximum counterparty credit exposure at period end consists of the carrying amount of cash, accounts receivable and derivative instruments.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

12. Financial instruments (cont'd):

d) Liquidity risk:

The Company strives to maintain sufficient financial liquidity at all times in order to withstand sudden adverse changes in economic circumstances. Management forecasts cash flows for its current and subsequent fiscal years to identify financing requirements. These requirements are then addressed through a combination of committed credit facilities, cash-in short-term investments and access to capital markets.

The following are the undiscounted contractual obligation maturities of financial liabilities as at September 30, 2008:

	Maturities			
	Total \$	Less than 1 year \$	2 years \$	More than 2 years \$
Accounts payable and accrued liabilities	4,778,164	4,778,164	-	-
Bank Loan	522,305	522,305	-	-
Long term debt	4,429,546	764,609	672,113	2,992,824
Secured convertible debentures	1,715,129	-	930,303	784,826
Derivative instruments	153,518	153,518	-	-

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

12. Financial instruments (cont'd):

d) Fair values:

The fair value of cash, deposit for acquisition, short-term investments, trade receivables, bank advances and loan, and accounts payable and accrued liabilities corresponds to their book value given their short-term maturities.

The book and the fair value of other financial assets and liabilities at period end are summarized as follows:

	September 30 2008		June 30 2008	
	Book value	Fair value	Book value	Fair value
Short -term investments	\$ 17,296,168	\$ 17,296,168	\$ 12,516,884	\$ 12,516,884
Long term debt	\$ 4,429,546	\$ 4,269,475	\$ 3,722,943	\$ 3,567,081
Convertible debentures	\$ 1,715,129	\$ 1,715,129	\$ 2,462,909	\$ 2,462,909

The information regarding the foreign denominated currency contracts at period end is summarized as follows:

Foreign Currency to be sold	Currency to be purchased	Strike price \$	Maturity date	Fair Value \$
8,250,000 US\$	CDN \$	1.04	October 6, 2008	(219,038)
800,000 Euro	CDN \$	1.57	December 30, 2008	65,520
Total				(153,518)

To calculate the change in the fair value attributable to financial instruments, the Company uses the same methods as described in the Company's annual financial statements for the year ended June 30, 2008.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

13. Segmented information:

Management has determined that the Company exercise its activities in 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 depreciation, amortization, financial expenses and income taxes. Most of the businesses were acquired as an operating unit, and management at the time of the acquisition was retained.

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

Information on the results and the assets of each segment:

	September 30 2008	September 30 2007
Revenues from external clients:		
Manufacturing and distribution of medical equipment	\$ 1,548,396	\$ 1,242,654
Custom processing and distribution of steel products	2,005,047	1,507,266
Development of biomedical and environmental activities	723,653	52,428
	\$ 4,277,096	\$ 2,802,348
Profit (loss) before the other items and income taxes:		
Manufacturing and distribution of medical equipment	\$ (453,767)	\$ (172,922)
Custom processing and distribution of steel products	(118,529)	69,669
Development of biomedical and environmental activities	(2,158,887)	(726,768)
Other	(3,191,493)	(1,121,874)
	\$(5,922,676)	\$(1,951,895)
Depreciation and amortization:		
Manufacturing and distribution of medical equipment	\$ 124,222	\$ 35,534
Custom processing and distribution of steel products	139,322	133,991
Development of biomedical and environmental activities	171,349	51,247
Other	24,098	13,976
	\$ 458,991	\$ 234,748

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

13. Segmented information (cont'd):

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

	September 30 2008	September 30 2007
Interest expense:		
Manufacturing and distribution of medical equipment	\$ 22,009	\$ 20,001
Custom processing and distribution of steel products	62,581	59,275
Development of biomedical and environmental activities	22,887	3,059
Other	78,537	154,129
	\$ 186,014	\$ 236,464
Income taxes:		
Manufacturing and distribution of medical equipment	\$ (131,178)	\$ (9,491)
Custom processing and distribution of steel products	(60,414)	(40,392)
Development of biomedical and environmental activities	(12,834)	(35,818)
Other	3,977	(1,489)
	\$ (200,449)	\$ (87,190)
Net loss:		
Manufacturing and distribution of medical equipment	\$ (431,482)	\$ (235,039)
Custom processing and distribution of steel products	(258,623)	(83,206)
Development of biomedical and environmental activities	(2,338,485)	(745,256)
Other	(3,510,540)	(1,131,576)
	\$(6,539,130)	\$(2,195,077)
Assets:		
Manufacturing and distribution of medical equipment	\$15,285,652	\$10,581,568
Custom processing and distribution of steel products	9,415,682	11,482,892
Development of biomedical and environmental activities	26,554,676	9,908,333
Other	19,828,626	15,218,770
	\$71,084,636	\$47,191,563
Fixed asset expenditures:		
Manufacturing and distribution of medical equipment	\$ 183,586	\$ 67,013
Custom processing and distribution of steel products	8,755	275
Development of biomedical and environmental activities	51,778	1,280
Other	230,192	1,312,423
	\$ 474,311	\$ 1,380,991

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

13. Segmented information (cont'd):

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

	September 30 2008	June 30 2008
Canada	\$19,612,501	\$14,438,561
France	6,073,579	6,476,664
Algeria	830,261	-
China	2,818,965	-
	\$29,335,306	\$20,915,125

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

	September 30 2008	September 30 2007
Canada	\$ 2,751,576	\$ 1,643,259
Latin America	97,143	99,081
United States	73,444	111,111
Europe	886,343	719,161
Africa and Asia	468,590	229,736
Total revenues	\$ 4,277,096	\$ 2,802,348

14. Subsequent events:

- a) On October 6, 2008, the Company has granted to consultants and employees, stock options to acquire a total number of 210,000 Class A shares, at a price of \$1.80 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 and will expire in 5 years.
- b) On October 16, 2008, 400,000 Class A shares were issued following the exercise of 400,000 stock options for a cash consideration of \$348,000 and a transfer of \$244,000 from contributed surplus.
- c) On October 24, 2008, the Company has granted to consultants, stock options to acquire a total number of 400,000 Class A shares, at a price of \$2.05 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 and will expire in 5 years.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

September 30, 2008
(unaudited)

14. Subsequent events (cont'd):

- a) On November 13, 2008, the Company has granted to an employee, stock options to acquire a total number of 50,000 Class A shares, at a price of \$1.18 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 and will expire in 5 years.

15. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current period.