NOVEKO
INTERNATIONAL INC.

Interim Report

Three-Month Periods Ended
September 30, 2008 and 2007

Management's Report

PURPOSE AND BASIS OF PRESENTATION

Management's Report is designed to assist investors in understanding the nature and the importance of the changes and trends, as well as the risks and uncertainties associated with the operations and financial position of Noveko International Inc. ("the Company"). This Management's Report presents an analysis of the Company's operations for the first quarter ended September 30, 2008, in comparison with the corresponding period ended September 30, 2007, as well as its cash flows and changes in financial position between those dates. Management's Report should be read in conjunction with the unaudited consolidated financial statements and accompanying notes for the first quarter ended September 30, 2008. It should be noted that these financial statements have not been reviewed by the external auditor.

Supplementary information about the Company, including the Annual Report for the fiscal year ended June 30, 2008, amended and restated management's reports on the interim periods closed during fiscal 2007-2008, previous annual reports and press releases, is available on SEDAR's website (www.sedar.com) and the Company's website (www.noveko.com).

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

The information contained in this Management's Report accounts for any major event occurring prior to November 13, 2008, the date on which the Board of Directors approved the unaudited financial statements and the Management's Report for the first quarter ended September 30, 2008. It presents the Company's status and business context as they were, to management's best knowledge, at the time this report was written.

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

Compliance with Canadian GAAP

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

Use of Estimates and Forward-Looking Statements

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

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

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

DESCRIPTION OF THE COMPANY

Noveko International Inc. ("the Company") is a holding company whose subsidiaries specialize in the following business segments:

- the development and marketing of products in the biomedical and environmental fields, including face masks, air filters and other products with antimicrobial properties;
- the development, manufacturing and marketing of medical equipment, primarily portable real-time ultrasound scanners for use in human and veterinary medicine; and
- the custom processing and distribution of steel products, including downdraft particle extraction tables.

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

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

Strategic Shift — In December 2005, the Company, which was seeking other acquisition opportunities, announced its intention to acquire Bolduc Leroux Inc. (“BLI“), a company specializing in steel distribution and processing that also held the intellectual property rights to an antimicrobial filtration technology for face masks and air filters. This acquisition, closed in April 2006, enabled the Company to increase its revenues and working capital with the steel distribution and processing operations and, above all, gave it the opportunity to penetrate the segment of biomedical and environmental activities related to this antimicrobial filtration technology. In June 2006, the *US Patent and Trademark Office* granted BLI the patent for this technology. Since then, BLI has transferred the rights to this technology to Noveko and several other patents for this technology have been obtained in other jurisdictions. Subsequent to the recent acquisitions and the hiring of several people at the management level, the Company focused its priorities on increasing the sales of its subsidiaries in each of the group’s business segments and on improving its revenues and profitability.

Acquisitions Closed in the First Quarter Ended September 30, 2008

On July 10, 2008, the Company acquired all the issued and outstanding shares of Unitam International Management Corporation Inc. (“Unitam”), an agency focusing on the development of international business services in North America and Asia, the activities of which have been incorporated with the development and marketing of products in the biomedical and environmental fields.

On July 17, 2008, the Company acquired all the issued and outstanding shares of SARL Noveko Algérie (“Noveko Algérie”), a medical equipment import business, the activities of which have been incorporated with the development, manufacturing and marketing of medical equipment.

On July 18, 2008, the Company acquired all the issued and outstanding shares of Groupe Conseils Micron-Air Inc. (“Micron-Air”) and all the issued and outstanding shares of Gestion Simon Labrecque Inc., a designer and manufacturer of air quality systems for the residential and commercial markets. These activities have been incorporated with the development and marketing of products in the biomedical and environmental fields.

On August 1st, 2008, the Company acquired all the issued and outstanding shares of Purer Life Technology Co., Ltd. ("Purer Life") and an entity of the same group U-Bond Inc. – collectively "Purer"), a filtration fabric development and manufacturing company that holds the rights to seven types of patents issued in Taiwan, China and the United States (for a total of 10 patents) and the intellectual property rights to 15 patent applications either in Taiwan or internationally, under the Patent Cooperation Treaty (PCT). These activities have been incorporated with the development and marketing of products in the biomedical and environmental fields.

Listing on the Toronto Stock Exchange

Effective July 28, 2008, the Company's Class A shares were listed on the Toronto Stock Exchange (ticker symbol EKO) and ceased trading on the TSX Venture Exchange.

SELECTED CONSOLIDATED QUARTERLY INFORMATION

Three-Month Periods Ended September 30, 2008 and 2007

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

	2008(1)	2007
Revenues	**4,277**	2,802
Gross margin	**1,448**	944
Loss before amortization, financial expenses and income taxes	**(5,923)**	(1,952)
Net loss	**(6,539)**	(2,195)
Comprehensive income	**(6,957)**	(2,298)
Loss per Class A share (basic and diluted)	**(0.10)**	(0.04)
Weighted average number of Class A shares outstanding basic and diluted (in thousands)	**65,542**	51,698

Balance Sheet Data

	September 30, 2008	June 30, 2008
Total assets	**71,085**	62,858
Shareholders' equity	**55,512**	49,773
Total interest-bearing debt(2)	**8,072**	7,860
Cash, cash equivalents, cash in trust and short-term investments	**17,979**	25,386

(1) The consolidated financial statements for the first quarter ended September 30, 2008 include the financial statements of the Company and its wholly-owned subsidiaries Noveko Inc., ECM, BLI, SyMa, Micron-Air, Magnum, Noveko Trading, Noveko Taiwan, Noveko Algérie, Unitam, Purer Life and U-Bond.
(2) Including long-term debt and its current portion, bank advances and bank loan, as well as convertible debentures.

OPERATING RESULTS

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

Consolidated and Segmented Revenues

(in dollars)

Three Months Ended September 30,	**2008**	2007
Manufacturing and distribution of medical equipment (segment comprising the subsidiaries ECM, Noveko and Noveko Algérie)	**1,548,396**	1,242,654
Processing and distribution of steel products (segment comprising the subsidiary BLI)	**2,005,047**	1,507,266
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko, Micron-Air, Purer Life, Magnum, SyMa, Unitam, U-Bond and Noveko Taiwan)	**723,653**	52,428
Other (segment comprising Noveko International Inc. and Noveko Trading)	-	-
Total	**4,277,096**	2,802,348

Consolidated revenues for the first quarter ended September 30, 2008 grew by 52.6% over the corresponding period of the previous year, to $4.3 million. This growth is due primarily to the contribution of the subsidiaries Micron-Air, Magnum and Noveko Algérie for about 10 weeks considering their mid-July 2008 acquisition dates, and the contribution of BLI whose revenues were up 33.0% for the period thanks to new orders.

Selling and administrative expenses increased by 72.1% to $3.9 million, due mainly to the following factors:

- the integration of the acquisitions closed during the quarter in Algeria, Quebec and Taiwan and the increase in the group's total payroll subsequent to these acquisitions and the strengthening of the team at different levels of responsibility; and
- the expenses related to the marketing of the derivative products from the antimicrobial filtration technology, specifically antimicrobial face masks and air filters.

Stock-based compensation represented an expense of $3.1 million for the first quarter, compared with $0.6 million for the corresponding period of the previous year. During the first quarter, the Company granted stock options to employees and consultants, entitling them to acquire a total of 1,800,000 Class A shares at a weighted average exercise price of $3.55 per share with a vesting period extending over 18 months. These stock options were mainly granted at the time of the acquisitions closed during the period.

Loss before Amortization, Financial Expenses and Income Taxes

(in dollars)

Three Months Ended September 30,	**2008**	2007
Manufacturing and distribution of medical equipment (segment comprising the subsidiaries ECM, Noveko and Noveko Algérie)	**(453,767)**	(172,922)
Processing and distribution of steel products (segment comprising the subsidiary BLI)	**(118,529)**	69,669
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko, Micron-Air, Purer Life, Magnum, SyMa, Unitam, U-Bond and Noveko Taiwan)	**(2,158,887)**	(726,768)
Other (segment comprising Noveko International Inc. and Noveko Trading)	**(3,191,493)**	(1,121,874)
Total	**(5,922,676)**	(1,951,895)

Considering the aforementioned factors, the Company incurred **an operating loss before amortization, financial expenses and income taxes** of $5.9 million, compared with an operating loss of $2.0 million for the first quarter of the previous year.

The manufacturing and distribution of medical equipment posted a loss before amortization, financial expenses and income taxes of approximately $0.5 million, up by $0.3 million over the first quarter of last year. This variation is attributable to a stock-based compensation expense of some $0.1 million and an increase in research and development expenses, the costs related to marketing ECM's new generation of ultrasound scanners and this subsidiary's administrative expenses.

The loss before amortization, financial expenses and income taxes stemming from the processing and distribution of steel products amounted to more than $0.1 million, as opposed to EBITDA of $69,669 for the first quarter of the previous year. This variation of some $0.2 million is due mainly to the decrease in BLI's gross margin stemming from outsourcing and overtime costs and an increase in administrative expenses. It should be pointed out that in September 2008, BLI undertook to reorganize its production in order to reduce as much as possible the use of outsourcing and overtime to honour its major contracts.

Biomedical and environmental activities posted a loss before amortization, financial expenses and income taxes of $2.2 million, up by $1.4 million over the first quarter of the previous year. This change variation is attributable to $1.0 million stock-based compensation expense and a $0.4 million loss broken down almost equally among four subsidiaries, specifically Noveko, SyMa, Unitam and Noveko Taiwan.

The loss before amortization, financial expenses and income taxes stemming from Noveko International Inc. and Noveko Trading amounted to $3.2 million, compared with $1.1 million for the first quarter of the previous year. This $2.1 million variation is due mainly to a stock-based compensation expense of $1.9 million and the costs related to the acquisitions closed during the quarter.

Amortization expenses amounted to $0.5 million, up by $0.3 million over the first quarter of the previous year. This increase is due mainly to the acquisitions closed during the period.

Financial expenses stood at $0.4 million, up by approximately $0.3 million over the first quarter of last year, due primarily to a $0.2 million increase in the foreign exchange loss and a decrease of some $0.1 million in investment income.

Net Loss

(in dollars)

Three Months Ended September 30,	**2008**	2007
Manufacturing and distribution of medical equipment (segment comprising the subsidiaries ECM, Noveko and Noveko Algérie)	**(431,482)**	(235,039)
Processing and distribution of steel products (segment comprising the subsidiary BLI)	**(258,623)**	(83,206)
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko, Micron-Air, Purer Life, Magnum, SyMa, Unitam, U-Bond and Noveko Taiwan)	**(2,338,485)**	(745,256)
Other (segment comprising Noveko International Inc. and Noveko Trading)	**(3,510,541)**	(1,131,576)
Total	**(6,539,130)**	(2,195,077)

The net loss amounted to $6.5 million for the first quarter ended September 30, 2008, compared with a net loss of $2.2 million for the corresponding period of the previous year, mainly on account of the aforementioned factors as well as income tax recoveries of more than $0.1 million and future income tax charges of approximately $0.1 million. Considering a net change in unrealized losses on translation of financial statements of self-sustaining foreign operations of $0.4 million for the quarter, compared with $0.1 million for the corresponding quarter of the previous year, a net loss of $7.0 million represented **the comprehensive loss** for the first quarter, compared with $2.3 million for the same period last year.

The loss per Class A share (basic and diluted) amounted to $0.10 on a weighted average of 65,542,241 outstanding shares, compared with a loss per share of $0.04 on a weighted average of 51,697,758 shares for the corresponding quarter of the previous year. The increased weighted average number of outstanding shares is due to the Company’s various share issues, as described in detail in note 6 (“Capital Stock”) accompanying the financial statements.

Principal Quarterly Financial Information (Unaudited)

(in thousands of $, except per-share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2009				
Revenues	**4,277**			
Net loss	**(6,539)**			
Comprehensive loss	**(6,957)**			
Loss per Class A share (basic and diluted)	**(0.10)**			
Fiscal 2008				
Revenues	2,802	3,809	3,560	4,345
Net loss	(2,195)	(2,962)	(3,844)	(7,612)
Comprehensive loss	(2,298)	(2,795)	(2,999)	(7,715)
Loss per Class A share (basic and diluted)	(0.04)	(0.06)	(0.07)	(0.13)
Fiscal 2007				
Revenues	2,888	3,474	3,440	3,043
Net loss	(358)	(340)	(1,602)	(2,323)
Loss per Class A share (basic and diluted)	(0.01)	(0.01)	(0.04)	(0.05)

FINANCIAL POSITION

Analysis of Principal Cash Flows for the First Quarter Ended September 30, 2008

(in dollars)

Three Months Ended September 30,	**2008**	2007
Operating activities		
Net loss	**(6,539,130)**	(2,195,077)
Adjustments for future taxes, accreted interest on debentures, stock-based compensation, amortization, foreign exchange loss (gain) and loss on fair value of short-term investments	**3,597,769**	907,971
Net change in non-cash working capital	**(821,520)**	(626,654)
Total	**(3,762,881)**	(1,913,760)
Financing activities	**3,563,924**	82,984
Investing activities	**(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, end of period	**616,993**	(77,094)

Operating activities, after net change in non-cash working capital, used cash flows of $3.8 million in the first quarter ended September 30, 2008, compared with $1.9 million for the corresponding quarter of the previous year. This change is explained primarily by the increase in the net loss, less the adjustments for stock-based compensation, accreted interest on secured convertible debentures, amortization, loss on fair value of short-term investments and net change in non-cash working capital. Net change in non-cash working capital represented a cash outflow of $0.8 million, compared with a cash outflow of $0.6 million for the first quarter of last year. This variation is due mainly the growth in BLI's inventories of products in progress.

Financing activities provided cash flows of $3.6 million in the first quarter, compared with $0.1 million for the first quarter of the previous year. This change stems mainly from the issue of 1,100,000 Class A shares subscribed by the owner of U-Bond (pursuant to the Company's acquisition of U-Bond on August 1st, 2008). This issue represented an amount of approximately $3.4 million. In addition, warrants were exercised for an amount of $0.2 million. First-quarter net changes in bank advances represented a total of approximately $0.2 million; this amount was used primarily to finance material for BLI orders in progress. Finally, the Company made a net principal repayment on long-term debt of approximately $0.2 million during the quarter.

Investing activities used cash flows of $10.8 million, including an amount of $5.8 million paid in cash for the acquisition of Noveko Algérie, Micron-Air, Unitam, Purer Life and U-Bond. The Company also received short-term investments of $20.2 million during the quarter and acquired short-term investments of $24.7 million, representing an actual divestment of $4.5 million.

First-quarter aggregate cash inflows and outflows used **net cash flows** of $11.0 million, compared with $2.7 million for the first quarter of the previous year. The Company ended the period with **cash and cash equivalents** of $0.6 million, as opposed to a deficiency of $0.1 million as at September 30, 2007.

Balance Sheet Analysis as at September 30, 2008

Summary Balance Sheet

(in dollars)

	As at September 30, 2008	As at June 30, 2008
Current assets	**31,200,084**	37,166,199
Long-term assets	**39,884,552**	25,692,091
Total	**71,084,636,**	62,858,290
Current liabilities	**7,470,499**	6,628,943
Long-term liabilities	**8,102,238**	6,456,200
Shareholders' equity	**55,511,899**	49,773,147
Total	**71,084,636**	62,858,290

The changes in the Company's financial position between June 30, 2008 and September 30, 2008 notably reflect the period's results and the acquisition of Noveko Algérie, Micron-Air, Unitam, Purer Life and U-Bond.

These transactions explain the increase in fixed assets, intangible assets and goodwill over June 30, 2008, as detailed in note 4 accompanying the Company's financial statements.

As at September 30, 2008, **total assets** amounted to $71.1 million, up by 13.1% or $8.2 million over June 30, 2008. **Working capital** stood at $23.7 million for a current ratio of 4.2:1 as at September 30, 2008, compared with $30.5 million and a 5.6:1 ratio as at June 30, 2008.

As at September 30, 2008, **shareholders' equity** totaled $55.5 million, compared with $49.8 million as at June 30, 2008, primarily reflecting the $10.1 million increase in capital stock subsequent to the first-quarter Class A share issues and $3.1 million increase in contributed surplus, less the $6.5 million increase in the deficit.

Indebtedness

(in dollars)

	As at September 30, 2008	As at June 30, 2008
Bank advances and bank loan	**1,927,726**	1,674,100
Current portion of long-term debt	**764,609**	636,116
Long-term debt	**3,664,937**	3,086,827
Secured convertible debentures	**1,715,129**	2,462,909
Total debt	**8,072,401**	7,859,952

Total interest-bearing debt (consisting of bank advances and bank loan, current portion of long-term debt, long-term debt and secured convertible debentures) amounted to $8.1 million as at September 30, 2008, compared with $7.9 million as at June 30, 2008, a rise of $0.2 million reflecting the increases of $0.7 million in long-term debt including the current portion subsequent to the acquisitions closed during the quarter, and of $0.3 million in bank advances and bank loan, partially offset by a decrease of more than $0.7 million in convertible debentures from June 30, 2008, due mainly to the conversion of debentures for a total principal amount of $1,000,000 into 800,000 Class A shares during the period.

Capital Stock Information

During the quarter ended September 30, 2008, the Company issued 3,459,300 Class A shares for a total of $9,956,675, including 500,000 shares for an amount of $1,976,500 in consideration of the acquisition of all the issued and outstanding shares of Unitam — 240,000 shares for an amount of $921,120 in consideration of the acquisition of all the issued and outstanding shares of Noveko Algérie, to which were added 16,800 shares issued for an amount of $64,680 in consideration of fees paid in connection with this acquisition — 600,000 shares for an amount of $2,302,800 in consideration of the acquisition of all the issued and outstanding shares of Micron-Air and all the issued and outstanding shares of Gestion Simon Labrecque Inc. — and 1,100,000 shares for a cash consideration of $3,355,000 in connection with the acquisition of U-Bond.

It also issued 202,500 Class A shares subsequent to the exercise of warrants for a cash consideration of $236,575 and a transfer of $85,983 from warrants, as well as 800,000 Class A shares subsequent to the exercise of the conversion right of $1,000,000 of convertible debenture. Amounts of $774,953 and $239,064 were transferred from the secured convertible debentures and from the portion of secured convertible debentures included in equity, respectively.

Considering these issues, the Company's capital stock consisted of 66,547,027 Class A shares as at September 30, 2008, compared with 63,087,727 Class A shares as at June 30, 2008.

Events Subsequent to Balance Sheet Date

On October 6, 2008, the Company granted 210,000 stock options to consultants and employees entitling them to purchase 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 grant and will expire in five years.

On October 16, 2008, the Company issued 400,000 Class A shares subsequent to the exercise of 400,000 stock options for a cash consideration of $348,000 and a transfer of $244,000 from contributed surplus.

On October 24, 2008, the Company granted 400,000 stock options to consultants entitling them to purchase 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 grant and will expire in five years

On November 13, 2008, the Company granted 50,000 stock options to an employee entitling him to purchase 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 grant and will expire in five years.

Other Contractual Commitments

As at September 30, 2008, the balance of contractual commitments under the terms of operating leases for premises maturing in 2016 amounted to more than $0.8 million. Minimum lease payments over each of the next five years are as follows:

2009: $319,209	2011: $70,320	2013: $64,145
2010: $134,435	2012: $65,697	

The Company is also committed to pay to a corporate shareholder exercising significant influence a quarterly royalty which represents the lower of $45,000 or 25% of consolidated cash flows from operating activities if these cash flows exceed $6.0 million. Under the terms of the agreement, the Company will continue to pay the royalties up to a maximum of $520,000. No payments were made in this regard for the period.

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 first quarter ended September 30, 2008, the Company paid interest in the amount of $ - ($819 for the first quarter 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 business and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

Sources and Requirements of Funds in 2008-2009

Since its inception, the Company has had recourse to public investments and private placements to finance its growth. In order to finance its future projects, the Company will also use these sources of funds, although to a lesser extent. As it grows, it will be able to take advantage of debt financing that will have a less dilutive effect on shareholders' equity. In this regard, the Company has a credit facility of $2 million which was unused as at September 30, 2008. This credit, bearing interest at the prime rate of the financial institution plus 0.5%, is secured by short-term investments and is renewable on an annual basis. ECM has a credit facility on demand of 50,000 Euros which was fully used as at September 30, 2008. This credit bears interest at the prime rate of the financial institution plus 1.2%. BLI has a credit facility on demand of $1,350,000, of which $1,255,412 was used as at September 30, 2008. This credit, bearing interest at the prime rate of the financial institution plus 0.6%, is secured by a movable hypothec on the universality of receivables, by a first-ranking movable hypothec on the universality of inventories, by a 45% loan guarantee of Investissement Québec and by the guarantee of the Company. SyMa has a credit facility on demand of $150,000 which was fully used as at September 30, 2008. This credit, bearing interest at the prime rate of the financial institution plus 3.0%, is secured by a certificate of deposit held by the Company and is renewable on an annual basis. Magnum has a credit facility on demand of $50,000 which was unused as at September 30, 2008. This credit, bearing interest at the prime rate of the financial institution plus 3.0%, is secured by a movable hypothec without dispossession on the universality of present and future assets and is renewable on an annual basis. Micron-Air has a credit facility of $250,000, of which $177,153 was used as at September 30, 2008. This credit bears interest at the prime rate of the financial institution plus 1.5%.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Pursuant to National Instrument 52-109, the Company could benefit from an exemption from the rules regarding the certificate on disclosure controls and procedures and internal control over financial reporting, since the period ended September 30, 2008 is the first financial period that ends after the Company became a non-venture issuer.

Risks and Uncertainties

The risks and uncertainties described in the Annual Report as at June 30, 2008 remain unchanged. The reader is requested to refer thereto for the complete statement.

Changes in Accounting Policies

Effective July 1st, 2008, the Company adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, "Capital Disclosures", Section 3031, "Inventories", Section 3862, "Financial Instruments – Disclosures" 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 accompanying the financial statements on capital management).

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 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:

- $49,243 increase in inventories; and
- $49,243 decrease in the deficit.

Sections 3862 and 3863 replace Section 3861, “Financial Instruments – Disclosures and Presentation”, amend and improve reporting obligations, while carrying forward the content thereof relating to disclosure requirements (see note 12 accompanying the financial statements on financial instruments).

Future Changes in Accounting Policies

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

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

Supplementary Information

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

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

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

November 14, 2008