



Interim Report
Three and Six-Month Periods Ended
December 31, 2008

Management's Report

1. 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 second quarter and six-month period ended December 31, 2008, in comparison with the corresponding periods ended December 31, 2007, as well as an analysis of its balance sheet, 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 as at December 31, 2008. It is to be noted that these financial statements have not been reviewed by the external auditor.

Supplementary information about the Company, including its annual reports, management's reports on previous interim periods and press releases, is available on SEDAR's website (www.sedar.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 February 12, 2009, the date on which the Board of Directors approved the unaudited financial statements and the Management's Report for the second quarter and six-month period ended December 31, 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, other non-cash items and income taxes ("EBITDA"). The Company uses EBITDA because this measure enables management to assess the Company's operational performance. This measure is a widely accepted financial indicator of a company's ability to repay and assume debt. Investors should not regard it as an alternative to operating revenues or cash flows, or a measure of liquidity. As 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 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.

2. DESCRIPTION OF THE COMPANY

Profile of the Company

Noveko International Inc. ("the Company") offers innovative health and environmental protection solutions with the objective of improving collective well-being. The Company, through its subsidiaries, specializes in the following business segments:

- the development and marketing of products in the biomedical and environmental fields, specifically 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.

Background of the Company

Origin

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. On 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 the Portable Ultrasound Field

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 continued to ensure the after-sales service for the ultrasound scanners sold until the spring of 2008.

Strategic Shift toward Antimicrobial Air Filtration Technology

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 May 2006, the *US Patent and Trademark Office* granted BLI a first patent for this antimicrobial filtration technology. Since then, BLI has transferred the rights to this technology to Noveko. Additional patents were subsequently granted, notably by the Eurasian Patent Office in Moscow, and the patent offices in Taiwan and Canada. Noveko also benefits from intellectual property rights related to patent applications in several other jurisdictions under the Patent Cooperation Treaty (PCT).

Subsequent Acquisitions and Creation of Subsidiaries

With a view to long-term growth and international development, the Company recently made several acquisitions in related business segments. Between July 2007 and November 2008, the Company thus proceeded to acquire and create businesses in order to strengthen its group of activities and expertise, focused primarily on the biomedical and environmental field, while diversifying its markets and product offering.

In July 2007, the Company acquired Laboratoire SyMa Inc. (“SyMa”), a company specializing in the manufacture of sanitizers, more specifically the antimicrobial products marketed under the Azuro™ brand. The objective of this acquisition was to develop its line of antimicrobial products. SyMa’s activities are now integrated with those of Noveko and are therefore incorporated with the biomedical and environmental fields.

In June 2008, the Company acquired Magnum Pharmaceuticals Inc. (“Magnum”), a specialized management services company focused on partnering with small to medium-sized pharmaceutical, over-the-counter drug and medical device manufacturers and distributors. Along with the activities specific to Magnum, the Company gained a complete marketing team for its own products. The Company had already been in business with Magnum since February 2008, using its manufacturing agent services for the Azuro™ products in the Canadian drugstores market. For financial reporting purposes, Magnum’s activities are incorporated with the biomedical and environmental fields.

On July 10, 2008, the Company closed the acquisition of Unitam International Management Corporation Inc. (“Unitam”), an agency focused on the development of international business services established in North American and Asia. The objective of this acquisition was to facilitate the Company’s development in Asia, one of its target markets, in the biomedical and environmental segments.

On July 17, 2008, the Company acquired SARL Noveko Algérie (“Noveko Algérie”), a medical equipment import business. Along with the operations specific to Noveko Algérie, this acquisition opened the door to markets holding promising potential for the Company’s products, namely Algeria and other Maghreb countries. For financial reporting purposes, Noveko Algérie’s activities are incorporated with the development and marketing of medical equipment.

On July 18, 2008, the Company acquired Groupe Conseils Micron-Air Inc. (“Micron-Air”), a designer and manufacturer of air quality systems for the residential and commercial markets sold under the EPURAIR™ brand. Micron-Air’s activities are complementary to the Company’s biomedical and environmental activities. The integration of the Company’s antimicrobial filtration technology with the EPURAIR™ systems is designed notably to diversify the Company’s product line in this business segment.

On August 1, 2008, the Company closed the acquisition of Purer Life Technology Co., Ltd. (and U-Bond Inc., an entity of the same group – collectively “Purer Life”), a strategically important acquisition for the development of the Company’s biomedical and environmental activities related to antimicrobial air filters. Purer Life is a filtration fabric developer and manufacturer that already acted as the Company’s supplier of filtration fabric. This acquisition not only ensured the Company of the production and supply of filtration fabric, but also provided it with an extensive portfolio of intellectual property rights with multiple applications. These intellectual property rights are already protected in Taiwan and China, or are covered by patent applications in Taiwan, China and the United States or internationally, under the Patent Cooperation Treaty (PCT).

In November 2008, the setting-up of Noveko Taiwan Co., Ltd. (“Noveko Taiwan”) was finalized. The inception of Noveko Taiwan is aimed at facilitating the import and distribution of the Company’s products in high-potential Asian markets. For financial reporting purposes, Noveko Taiwan’s operations are incorporated with the development and marketing of medical equipment.

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 being traded on the TSX Venture Exchange.

Current Overview

The Company's primary objectives for upcoming quarters are to grow its business and improve its profitability. Subsequent to its recent acquisitions and the strengthening of its management team, the Company is also focusing on integrating the acquired entities in order to take advantage of product and market development synergies. Over the past year, the Company's product marketing slowed, mainly because of the steps taken to ensure these products comply with all regulatory requirements, but also because of the many procedures involved in closing the recent acquisitions, including that of Purer Life. Therefore, the Company does not intend to make any other acquisitions in the short term. It remains on the lookout for partnership opportunities to stimulate its product development and marketing, especially in the medical and environmental fields.

Biomedical and Environmental Fields

The Company's objective is to market two broad lines of derivative products from its patented antimicrobial air technology, specifically: — antimicrobial air filters for farm buildings, the transportation industry, institutional, commercial and residential buildings; and — antimicrobial face masks targeted to the healthcare sector, institutions and the general public. The Azuro™ product line is geared to the same markets as antimicrobial face masks.

Air Filters for Farm Buildings

The Company's antimicrobial filtration technology, virtually unknown in the farming community a few months ago, has achieved promising breakthroughs primarily in the swine market, attesting to the farming community's growing interest in this technology, one of the Company's growth vectors in the filters segment. Farm producers are increasingly recognizing that their herds need protection against contamination from airborne pathogens. In order to efficiently penetrate this market, the Company is working to team up with solid partners who will ensure the distribution of its products.

Since April 2007, Monitrol Inc. ("Monitrol"), a North American leader in ventilation control systems and equipment for farm buildings, has acted as the exclusive distributor of the Noveko™ patented antimicrobial air filters for the hog and poultry breeding markets in North America. In the second quarter, the Company won orders to equip 11 hog farm sites in Quebec. Based on the filter delivery schedule, the Company expects to reap the benefits of these orders during the current fiscal year. It is to be noted that farms must generally replace filter cartridges every two years, providing the Company with a recurring source of revenues. The Company has also obtained, through Monitrol, its first orders to equip hog farm sites in Mexico, the delivery of which is scheduled for the third quarter of 2009. These orders add to those already filled in Ontario and Western Canada.

In August 2008, the Company signed an exclusive distribution agreement covering the French market, for an initial term of three years, with Geosane, a company geared toward quality and safety in livestock production and public health. The initial benefits of this agreement will materialize in the third quarter of the current fiscal year. Geosane has committed to purchase 8,000 Noveko™ antimicrobial air filters. Delivery of the filters will extend over a period of approximately 12 months. Consequently, revenues totaling more than \$2 million for the Company will materialize primarily during the calendar year ending December 31, 2009.

The agreement with the Chinese state-owned company China National Service Corporation (“CNSC”) enabled the Company, in cooperation with Monitrol and the Centre de développement du porc du Québec (“CDPQ”), to install its filters on two hog and poultry farms in the Ma’anshan region in order to demonstrate the performance of the Noveko™ filtration technology.

Further market development activities are underway in North America, South America, Europe and Asia where several farm sites have shown an interest in the Noveko™ antimicrobial filtration solutions.

Market development efforts in this segment benefit from the results of the effectiveness tests on the Company’s air filters for hog farms. In September 2008, during the *Allen D. Lemay Swine Conference* held in Minneapolis, an annual event that brings together North American swine industry leaders, Dr. Scott Dee of the University of Minnesota disclosed the conclusive results of his laboratory work aimed at assessing the effectiveness of the Noveko™ antimicrobial air filters in blocking the porcine reproductive and respiratory syndrome (“PRRS”) virus under extreme conditions. The PRRS is the most destructive porcine pathology and results in considerable economic losses for the world’s hog industry. The work of Dr. Dee – a world-renowned authority in swine veterinary medicine whose career path and research work have earned him many honours and awards – not only demonstrated the effectiveness of the Noveko™ antimicrobial air filters in blocking the transmission of the virus by filtration, but also proved that the antimicrobial technology specific to the Company’s air filters was able to inactivate the PRRS virus.

The studies done by Dr. Scott Dee corroborate the results of the tests conducted in December 2007 in Canada by Dr. Laura Batista with the Faculty of Veterinary Medicine of the Université de Montréal in cooperation with the CDPQ. Dr. Dee, also Director of the Swine Disease Eradication Center (“SDEC”), recently invited the Company to participate on a permanent basis in his research. Thus, an experimental facility built by the Company, equipped with Noveko™ air filters and reproducing the natural conditions of a hog farm, is now on-site at the SDEC in Minnesota. The Company believes this provides it with a unique opportunity to pursue, on an ongoing basis, the research and development on its filtration solutions in order to optimize them and to obtain further recognition of their performance.

Air Filters for the Rail Transportation Industry

The strategic acquisition of Purer Life, the provider of the filtering membranes targeted to the farm market and into which is integrated Noveko’s antimicrobial filtration technology, also position the Company for new applications in various promising industrial segments. Thus, in September 2008, Purer Life was awarded an antimicrobial air filters order to replace some of the filters used under the cars of Taiwan High Speed Rail Corporation’s high-speed trains in order to test them in December 2008. Negotiations are still underway to conclude a longer-term agreement for the supply of all the filters for all of this client’s high-speed trains. The potential winning of such a contract could open the door to other markets for the Company’s products. Other railway companies have shown an interest in the antimicrobial filtration technology. The Company is continuing its market development activities in this business segment in Asia, Europe and North America.

Air Filters in the Institutional, Commercial and Residential Market

Noveko's antimicrobial filtration technology has the potential to generate several new applications designed eventually for establishments such as healthcare institutions, commercial buildings, properties and residences. In this regard, pooling the technologies and distribution networks of Micron-Air, which designs and markets a line of high-quality air filtration and purification products targeted to the residential and commercial markets, increases the Company's development potential in these markets. The Company plans to shortly proceed with the first installations of air filters integrating Noveko's antimicrobial technology in commercial buildings.

Portfolio of Intellectual Property Rights to Air Filtration Technologies for Future Applications

The acquisition of Purer Life also provided the Company with a portfolio of intellectual property rights to multiple applications. The Company is currently studying certain of the applications that could result therefrom.

Antimicrobial Face Masks

While the marketing of its antimicrobial face masks is still at its beginnings, the Company has nevertheless achieved several milestones paving the way for their production and distribution on a wider scale. The Company's primary business model is rooted in outsourcing the production and distribution of its antimicrobial face masks to leading partners in their market and benefiting from the royalties arising from its face mask sales. The Company, through its subsidiary Noveko, retains all the intellectual property rights to its antimicrobial technology at all times. Furthermore, the Company continues to look at different partnership opportunities in order to maximize its potential and to intensify the marketing of its antimicrobial face masks.

In August 2007, Noveko was granted a Health Canada establishment licence to market its face masks in Canada.

In July 2008, Noveko obtained ISO 13485 international certification attesting that it fully complies with the requirements of the international standards for medical devices, in terms of quality of design, manufacturing and distribution of Noveko™ antimicrobial face masks, as audited by BSI Management Systems America, Inc. Also in July 2008, Noveko was authorized to use CE Marking on its antimicrobial face masks, which means that its face masks comply with the requirements of the European Directives in regard to public health and consumer protection. Combined with the CE Marking, the ISO 13485 certification opened the door to the European Economic Space markets and countries in Africa and the Middle East. However, the national standards specific to certain countries require additional approvals for the import and sale of Noveko™ antimicrobial face masks. The Company has undertaken various initiatives to obtain these additional approvals.

In May 2007, Noveko began the 510(k) application process with the *US Food and Drug Administration* (the “FDA”) and was assigned a pre-IDE number (investigational device exemption) to complete its submission. In July 2007, the Center for Devices and Radiology Health, FDA issued new directives subsequent to which Noveko, in September 2007, developed and submitted to the FDA a series of safety and effectiveness test protocols in order to meet the new high standards required by U.S. authorities applicable to antimicrobial surgical masks. In December 2007, the FDA approved these test protocols. In September 2008, the FDA issued an 510(k) identification number for the Noveko™ 3xEz antimicrobial surgical mask. This issue meant that the submission in regard to this face mask was in principle complete and that the FDA would proceed to study the submission, reserving the right to require additional information, which it subsequently did. In December 2008, the Company met with the Branch Chief, Infection Control Devices Branch, Center for Devices and Radiological Health, FDA and the FDA panel of reviewers to discuss the status of the 510(k) submission. The meeting allowed further clarification of the additional information required by the FDA in the file. The FDA requested that the Company provide supplementary tests to demonstrate a “4 log reduction” bio-efficacy during short-term mask use and establish an expiration date for appropriate labeling. The Company has taken the steps needed to follow up on the FDA’s indications and plans to file the documentation related to the test results with the FDA by the end of March 2009. The FDA will then proceed to study the submission and will communicate with the Company in due course. The Company remains optimistic as to obtaining FDA approval of the Noveko™ 3xEz antimicrobial surgical mask, which would pave the way for its product marketing in healthcare institutions in the United States.

In January 2008, Noveko signed an exclusive agreement with A.R. Medicom Inc. (“Medicom”), under which Medicom manufactures antimicrobial surgical masks using Noveko’s antimicrobial technology and distributes them to the dental care market in Canada and the United States. With operations in North America, Europe and Asia, Medicom benefits from an enviable positioning in the dental care disposables market. The Company expects this agreement to yield royalty payments in upcoming quarters once Medicom begins to distribute surgical masks incorporating Noveko’s antimicrobial technology.

In April 2008, Noveko signed a distribution agreement with Formedica under which its antimicrobial face masks are distributed in Quebec drugstores. In July 2008, Noveko signed a distribution agreement with Medi-Select to formalize their partnership announced in August 2007 and aimed at the distribution of Noveko™ antimicrobial face masks, primarily in Quebec.

The delays incurred in implementing rigorous standards, controls and tests at every stage of the Noveko™ antimicrobial face mask production process slowed down their marketing on a wide scale. However, the Company is in discussion with potential partners for the production and marketing of its antimicrobial face masks on a global scale. Noveko Taiwan, Noveko Algérie, Unitam and Magnum, the Company’s new subsidiaries, are also participating in the market development efforts.

Azuro™ Products

The activities related to the sanitizers marketed under the Azuro™ brand, formerly ensured by SyMa which the Company acquired in 2007, are now integrated with those of Noveko, and are consistent with the Company’s objective of developing its line of antimicrobial products.

In November 2007, SyMa was granted a Health Canada establishment licence and a DIN (Drug Identification Number) for its entire line of products, more specifically the Azuro™ Medical sanitizer, allowing it to sell its products in healthcare institutions across Canada. SyMa also received FDA authorization to sell its Azuro™ products in the United States.

Agreements were signed in fiscal 2007-2008 to supply the line of Azuro™ products to several supermarkets, drugstore chains and convenience stores in Quebec. Magnum, a subsidiary of the Company, also provided Azuro™ products with access to the Canadian drugstore and grocery store market, outside Quebec.

More recently, the Azuro™ products achieved breakthroughs in the most promising hospital and institutional fields. The Company is currently focusing further efforts on penetrating these markets. It also plans to eventually tap the distribution networks used for its antimicrobial face masks to distribute the Azuro™ products, especially in the medical field. Noveko Taiwan, Noveko Algérie and Unitam, the Company's new subsidiaries, are also participating in the efforts to market the Azuro™ products on a global scale.

Medical Equipment

Real-time portable ultrasound scanners for use in human and veterinary medicine, developed and marketed by its subsidiary ECM, comprise the primary product line in the Company's medical equipment segment. To a lesser extent, the import activities of Noveko Algérie and Noveko Taiwan contribute to the Company's medical equipment segment.

In veterinary medicine, ECM is already a leader in the swine market, offering the most complete range of ultrasound scanners in this field with its Agroskan™ product line. These ultrasound scanners facilitate the diagnosis of animal pathologies and monitoring of gestation to improve breeders' yields. ECM also enjoys an enviable competitive position in the bovine, ovine and caprine markets thanks notably to the network of exclusive distributors it has developed. These distributors, who receive specific training about its products and after-sales service, ensure it of an excellent reputation and marketing on a global scale. The main differentiating advantages of ECM's devices in the portable ultrasound scanners market lie in their excellent quality/price value and innovative features, as well as in the fact that they are user-friendly and battery-powered, so they can be put to practical and effective use both in clinics and in the field.

After three years of research and development to fine-tune a new generation of ultrasound scanners, ECM launched the Imagyne™ ultrasound scanner in June 2008. This high-end, fully-digital, 64-channel device is competitively-priced and will enable ECM to penetrate the promising human medicine market, especially in obstetrics, gynecology and vascular medicine. The development of this ultrasound scanner and penetration of human medicine required major investments and efforts on ECM's part, in order to restructure its operations and strengthen its technical team. In addition, product approval procedures were required in each of the countries where it was introduced. ECM is currently working to finish setting up a network of distributors for the human medicine market. The Imagyne™ will also be designed for use in veterinary medicine, but to a lesser extent, notably for pets, a new market for ECM.

In October 2008, ECM also launched the V Scan™ ultrasound scanner, a light, compact and competitively-priced unit completing the line of ultrasound scanners for use in veterinary medicine, more specifically by breeders of small and medium-sized swine herds.

ECM is currently finalizing the development of another high-end ultrasound scanner that it intends to bring to market by the end of the 2009 calendar year. It will first be targeted to veterinarians, including the new pets market and the equine market, and secondly, once the required approvals are obtained, it will be designed for use in human medicine, especially for emergency, anesthesia and army needs.

Steel Products

BLI specializes in the custom processing and distribution of steel products based on client specifications. Its line of downdraft particle extraction tables should stimulate its sales growth. BLI also makes it a priority to increase its operating profitability. It recently reorganized its plant to better control its manufacturing process and operating costs. This restructuring is also intended to reduce its use of outsourcing.

3. SELECTED CONSOLIDATED QUARTERLY INFORMATION

Three-Month and Six-Month Periods Ended December 31, 2008 and 2007

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

	Three Months		Six Months	
	2008 ⁽¹⁾	2007	2008 ⁽¹⁾	2007
Revenues	5,569	3,809	9,846	6,611
Gross margin	2,272	1,612	3,721	2,556
Loss before amortization, financial expenses and income taxes ⁽²⁾	(4,952)	(2,780)	(10,874)	(4,732)
Net loss	(6,941)	(2,962)	(13,480)	(5,157)
Comprehensive loss	(5,506)	(2,795)	(12,463)	(5,093)
Loss per Class A share (basic and diluted)	(0.10)	(0.06)	(0.20)	(0.10)
Weighted average number of Class A shares outstanding (in thousands)	66,886	53,728	66,214	52,713

Balance Sheet Data

	December 31, 2008	June 30, 2008
Total assets	67,427	62,858
Shareholders' equity	53,561	49,773
Total interest-bearing debt ⁽³⁾	7,546	7,860
Cash, cash equivalents, cash in trust and and short-term investments	11,442	25,386

(1) The consolidated financial statements for the three and six-month periods ended December 31, 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 stock-based compensation charges of 3,207, 1,813, 6,278 and 2,378 for the respective periods of 2008 and 2007.

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

4. OPERATING RESULTS

Analysis of Consolidated and Segmented Operating Results for the Second Quarter and Six-Month Period Ended December 31, 2008 Compared with the Second Quarter and Six-Month Period Ended December 31, 2007

Consolidated and Segmented Revenues

(in dollars)

	Quarters Ended December 31,		Six Months Ended December 31,	
	2008	2007	2008	2007
Manufacturing and distribution of medical equipment (segment primarily comprising the subsidiaries ECM, Noveko Algérie, Noveko Taiwan and Noveko)	2,502,983	2,029,542	4,051,379	3,272,196
Processing and distribution of steel products (segment comprising the subsidiary BLI)	1,660,241	1,627,104	3,665,288	3,134,370
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko, Micron-Air, Purer Life, Magnum, SyMa, Unitam and U-Bond)	1,405,323	152,089	2,128,976	204,517
Total	5,568,547	3,808,735	9,845,643	6,611,083

Consolidated revenues amounted to \$5.6 million in the **second quarter**, up by 46.2% over the corresponding quarter of the previous year. This \$1.8 million increase is due primarily to the contribution of the new subsidiaries Micron-Air, Purer Life, Magnum and Noveko Algérie for the full quarter. For **the first six months** of the current fiscal year, consolidated revenues totaled \$9.8 million, up by \$3.2 million or 48.9% over the first half ended December 31, 2007. This increase is due to the aforementioned factors, to which was added the contribution of BLI which posted significant revenue growth during the first quarter.

For **the second quarter** and **first six months of the current fiscal year**, **selling and administrative expenses** amounted to \$4.2 million and \$8.1 million respectively, up by 60.3% and 65.8% over the corresponding periods of the previous year. These increases are due primarily to the following factors:

- the total payroll and operating expenses of the subsidiaries acquired in the past quarters in Canada, Algeria and Taiwan; and
- the expenses related to the marketing of the derivative products from the antimicrobial filtration technology.

Stock-based compensation represented an expense of \$3.2 million for **the second quarter** and \$6.3 million for **the first six months**, compared with \$1.8 million and \$2.4 million respectively for the corresponding periods of the previous year. During the first half, the Company granted, mainly in the context of the recent acquisitions, stock options allowing the purchase of 2,710,000 Class A shares at a weighted average exercise price of \$2.88 per share with a vesting period extending over 12 to 30 months.

Earnings (Loss) before Amortization, Financial Expenses and Income Taxes

(in dollars)

	Quarters		Six Months	
	Ended December 31, 2008	2007	Ended December 31, 2008	2007
Manufacturing and distribution of medical equipment (segment primarily comprising the subsidiaries ECM, Noveko Algérie, Noveko Taiwan and Noveko)	(57,714)	221,122	(511,481)	48,200
Processing and distribution of steel products (segment comprising the subsidiary BLI)	129,291	199,109	10,762	268,778
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko, Micron-Air, Purer Life, Magnum, SyMa, Unitam and U-Bond)	(1,821,339)	(1,042,110)	(3,980,226)	(1,768,878)
Other (segment comprising Noveko International Inc. and Noveko Trading)	(3,201,964)	(2,158,523)	(6,393,457)	(3,280,397)
Total	(4,951,726)	(2,780,402)	(10,874,402)	(4,732,297)

Considering the aforementioned factors, **the loss before amortization, financial expenses and income taxes** amounted to \$5.0 million **for the second quarter**, up by \$2.2 million over the corresponding quarter of the previous year. **For the first six months**, it totaled \$10.9 million, an increase of \$6.1 million over the corresponding period of the previous year.

The manufacturing and distribution of medical equipment posted a loss before amortization, financial expenses and income taxes of \$57,714 **for the second quarter**, representing a negative difference of \$0.3 million compared with the corresponding quarter of the previous year. Noveko Algérie posted EBITDA of \$0.2 million for the quarter, excluding the stock-based compensation expense attributable thereto. However, contributing to the negative difference are: an overall increase of \$0.1 million in the stock-based compensation expense attributable to this business segment, the \$0.2 million operating loss of Noveko Taiwan which began its operations during the period, and the \$0.2 million decrease in the EBITDA of ECM which has just started to sell its new-generation ultrasound scanners and is intensively pursuing its efforts to penetrate the human medicine market. **For the first six months**, the loss before amortization, financial expenses and income taxes increased by \$0.6 million, of which \$0.3 million from the increase in stock-based compensation expense, \$0.3 million from Noveko Taiwan and a \$0.4 million decrease in ECM's EBITDA for the aforementioned reasons. These negative differences could not be offset by the EBITDA – excluding the stock-based compensation expense attributable thereto – of \$0.4 million posted by Noveko Algérie during the first six months.

The processing and distribution of steel products posted EBITDA of more than \$0.1 million **for the second quarter**, compared with approximately \$0.2 million for the corresponding quarter of the previous year. This difference is due to the lower profit margin of some contracts. **For the first six months**, EBITDA totaled \$0.01 million, compared with \$0.3 million, reflecting the decline in the gross margin stemming from the use of outsourcing and overtime, especially in the first quarter.

Biomedical and environmental activities posted a loss before amortization, financial expenses and income taxes of \$1.8 million **for the second quarter**, up by \$0.8 million due mainly to the \$0.7 million increase in the stock-based compensation expense broken down among the subsidiaries in this segment. **For the first six months**, the loss before amortization, financial expenses and income taxes totaled \$4.0 million, up by approximately \$2.2 million over the corresponding period of the previous year. This variation stemmed from the increases of \$1.7 million in stock-based compensation expense and \$0.4 million in the loss broken down almost equally among the subsidiaries Noveko, SyMa and Unitam.

The loss before amortization, financial expenses and income taxes stemming from **Noveko International Inc. and Noveko Trading** amounted to \$3.2 million **for the second quarter**, up by \$1.0 million. This rise is due to the increases of \$0.6 million in stock-based compensation expense and \$0.4 million in administrative expenses related to the strengthening of Noveko International Inc.'s team and various professional fees. **For the first six months**, the loss before amortization, financial expenses and income taxes totaled \$6.4 million, up by \$3.1 million. This difference is due primarily to the increases of \$2.1 million in stock-based compensation expense and \$0.9 million in expenses related to the strengthening of the team and professional fees.

Amortization expenses amounted to \$0.8 million **for the second quarter** and \$1.2 million **for the first six months**, up by \$0.5 million and \$0.7 million respectively over the corresponding periods of the previous year. These differences are due mainly to the acquisitions closed in the past quarters.

Financial expenses amounted to \$1.0 million **for the second quarter** and \$1.4 million **for the first six months**, up by \$1.1 million and \$1.3 million respectively over the corresponding periods of the previous year. These differences are due primarily to losses on foreign exchange contracts of \$1.5 million in the second quarter and \$1.7 million in the first half, partly offset by foreign exchange gains of \$0.5 million for the second quarter and \$0.3 million for the first half of the current fiscal year.

Net Earnings (Loss)

(in dollars)

	Quarters		Six Months	
	Ended December 31, 2008	2007	Ended December 31, 2008	2007
Manufacturing and distribution of medical equipment (segment primarily comprising the subsidiaries ECM, Noveko Algérie, Noveko Taiwan and Noveko)	(323,247)	156,505	(754,729)	(78,534)
Processing and distribution of steel products (segment comprising the subsidiary BLI)	(201,138)	(22,968)	(459,761)	(106,174)
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko, Micron-Air, Purer Life, Magnum, SyMa, Unitam and U-Bond)	(1,858,467)	(1,066,381)	(4,196,952)	(1,811,637)
Other (segment comprising Noveko International Inc. and Noveko Trading)	(4,558,450)	(2,029,559)	(8,068,990)	(3,161,135)
Total	(6,941,302)	(2,962,403)	(13,480,432)	(5,157,480)

The net loss amounted to \$6.9 million for the second quarter, up by \$4.0 million over the corresponding period of the previous year, mainly on account of the aforementioned factors. Considering a net change in unrealized gains on translation of financial statements of self-sustaining foreign operations of \$1.4 million, compared with \$0.2 million for the same quarter of the previous year, a net loss of \$5.5 million represented the comprehensive loss for the second quarter, compared with \$2.8 million for the corresponding quarter of the previous year. For the first six months, a net loss of \$12.5 million represented the comprehensive loss, considering a net change in unrealized gains on translation of financial statements of self-sustaining foreign operations of \$1.0 million – compared with a net loss of \$5.1 million which represented the comprehensive loss for the first half of the previous year, considering a net change in unrealized gains on translation of financial statements of self-sustaining foreign operations of \$0.1 million.

The loss per Class A share (basic and diluted) amounted to \$0.10 on a weighted average of 66,886,157 outstanding shares for the second quarter, compared with a loss per share of \$0.06 on a weighted average of 53,727,729 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. For the first six months, the loss per share (basic and diluted) increased to \$0.20 from \$0.10 per share in the first half of last year.

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	5,569		
Net loss	(6,539)	(6,941)		
Comprehensive loss	(6,957)	(5,506)		
Loss per Class A share (basic and diluted)	(0.10)	(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)

5. FINANCIAL POSITION

Analysis of Principal Cash Flows for the Second Quarter and Six-Month Period Ended December 31, 2008

(in dollars)

	Quarters		Six Months	
	Ended December 31, 2008	2007	Ended December 31, 2008	2007
Operating activities				
Net loss	(6,941,302)	(2,962,403)	(13,480,432)	(5,157,480)
Adjustments for future taxes, accreted interest on debentures, stock-based compensation, amortization, foreign exchange loss (gain), unrealized loss (gain) on currency contracts and gain on fair value of short-term investments	3,468,117	2,085,956	7,065,886	2,993,927
Net change in non-cash working capital	(4,059,859)	(1,550,432)	(4,881,379)	(2,177,086)
Total	(7,533,044)	(2,426,879)	(11,295,925)	(4,340,639)
Financing activities	(479,614)	3,019,000	3,189,761	3,101,984
Investing activities	7,455,709	(157,617)	(3,402,803)	(1,060,521)
Foreign exchange loss on cash in foreign currencies	79,425	12,630	54,101	722
Increase (decrease) in cash and cash equivalents	(477,524)	447,134	(11,454,866)	(2,298,454)
Cash and cash equivalents, end of period	139,469	370,040	139,469	370,040

Operating activities, before net change in non-cash working capital, used cash flows of \$3.5 million in the **second quarter**, compared with a cash outflow of \$0.9 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 and net change in non-cash working capital. Net change in non-cash working capital represented a cash outflow of \$4.1 million, compared with a cash outflow of \$1.6 million for the second quarter of the previous year. This variation is due primarily to the increase in accounts receivable and inventories. **During the first six months**, operating activities, before net change in non-cash working capital, used cash flows of \$6.4 million, compared with a cash outflow of \$2.2 million for the first half of the previous year. This variation can be explained by the aforementioned factors. Net change in non-cash working capital represented a cash outflow of \$4.9 million, compared with a cash outflow of \$2.2 million for the first six months of the previous year, this variation being due to the increase in accounts receivable and inventories.

Financing activities used cash flows of \$0.5 million in the **second quarter**, whereas they provided cash flows of \$3.0 million in the corresponding quarter of the previous year. The Company repaid debt, bank advances and paid interest on convertible debentures for an amount of more than \$0.8 million and the exercise of stock options provided cash flows of \$0.3 million, whereas in the second quarter of the previous year, warrants and stock options had been exercised for an amount of approximately \$3.0 million. **During the first six months**, financing activities provided cash flows of \$3.2 million, remaining relatively equivalent to those for the first half of the previous year. It is to be noted that during the first quarter ended September 30, 2008, the Company had issued 1,1 million Class A shares that were 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. Net changes in bank advances represented approximately \$0.3 million, which 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 first half of the fiscal year.

Investing activities provided cash flows of \$7.5 million in the **second quarter**, whereas they used cash flows of \$0.2 million in the corresponding quarter of the previous year. This change is due primarily to the fact that the Company received short-term investments of \$37.5 million and acquired short-term investments of \$29.6 million, representing an actual receipt of \$7.9 million, compared with \$0.3 million in the corresponding quarter of the previous year. **During the first six months**, investing activities used cash flows of \$3.4 million, compared with a cash outflow of \$1.1 million for the first half of the previous year. A cash consideration of \$5.9 million was paid for the acquisition of Noveko Algérie, Micron-Air, Unitam, Purer Life and U-Bond in the first quarter. The purchase of fixed assets used cash flows of \$0.5 million, to which was added an amount of \$0.3 million for the acquisition of intangible assets and capitalized development costs of \$0.2 million. The Company also received short-term investments of approximately \$57.8 million and acquired short-term investments of \$54.3 million, representing an actual receipt of \$3.5 million for the six-month period ended December 31, 2008.

During the first six months of the current fiscal year, aggregate cash inflows and outflows used **net cash flows** of \$11.5 million, compared with \$2.3 million in the first half of the previous year. As at December 31, 2008, **cash and cash equivalents** totaled \$0.1 million, compared with \$0.4 million a year earlier.

Balance Sheet Analysis as at December 31, 2008

Summary Balance Sheet
(in dollars)

	As at December 31, 2008	As at June 30, 2008
Current assets	26,698,790	37,166,199
Long-term assets	40,728,564	25,692,091
Total	67,427,354	62,858,290
Current liabilities	5,953,039	6,628,943
Long-term liabilities	7,913,562	6,456,200
Shareholders' equity	53,560,753	49,773,147
Total	67,427,354	62,858,290

The changes in the Company's financial position between June 30, 2008 and December 31, 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 December 31, 2008, **total assets** amounted to \$67.4 million, up by 7.3% or \$4.6 million over June 30, 2008. **Working capital** stood at \$20.7 million for a current ratio of 4.5:1, compared with \$30.5 million and a 5.6:1 ratio as at June 30, 2008.

Shareholders' equity totaled \$53.6 million, compared with \$49.8 million as at June 30, 2008, primarily reflecting the \$10.5 million increase in capital stock subsequent to the Class A share issues during the first six months of the current fiscal year and the \$6.0 million increase in contributed surplus reflecting the stock-based compensation expense, less the \$13.5 million increase in the deficit.

Indebtedness

(in dollars)

	As at December 31, 2008	As at June 30, 2008
Bank advances and bank loan	1,395,032	1,674,100
Current portion of long-term debt	808,959	636,116
Long-term debt	3,602,652	3,086,827
Secured convertible debentures	1,739,102	2,462,909
Total debt	7,545,745	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 \$7.6 million as at December 31, 2008, compared with \$7.9 million as at June 30, 2008. This \$0.3 million reduction in indebtedness stemmed from a decrease of more than \$0.7 million in convertible debentures due to the conversion of debentures for a total principal amount of \$1 million into 800,000 Class A shares during the period and the \$0.3 million decrease in bank advances and bank loans, whereas long-term debt including the current portion increased by \$0.7 million subsequent to the acquisitions closed in the first quarter.

Capital Stock Information

During the first six months of the current fiscal year, the Company issued 2,456,800 Class A shares for a total of \$8,620,100, 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.

The Company also issued 202,500 actions Class A shares subsequent to the exercise of warrants for a cash consideration of \$236,575 and a transfer of \$329,983 from warrants. It also issued 400,000 Class A shares subsequent to the exercise of stock options for a cash consideration of \$348,000 and a transfer of \$244,000 from contributed surplus. Finally, 800,000 Class A shares were issued subsequent to 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 66,947,027 Class A shares as at December 31, 2008, compared with 63,087,727 Class A shares as at June 30, 2008.

Other Contractual Commitments

As at December 31, 2008, the balance of contractual commitments under the terms of operating leases for premises maturing in 2016 amounted to more than \$1.0 million. Minimum lease payments over each of the next five years are as follows:

2009: \$375,489	2011: \$72,506	2013: \$67,850
2010: \$282,594	2012: \$67,850	

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 half ended December 31, 2008, the Company paid interest in the amount of \$- (\$819 in the first six months ended December 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 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 could still use these sources of funds. As it grows, it could also 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 December 31, 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 December 31, 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 \$1,308,811 was used as at December 31, 2008. This credit, bearing interest at the prime rate of the financial institution plus 0.6%, is secured by a movable hypothec on the universality of receivables, by a first-ranking movable hypothec on the universality of inventories, by a 45% loan guarantee of Investissement Québec and by the guarantee of the Company. SyMa has a credit facility on demand of \$150,000, of which \$86,222 was used as at December 31, 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, of which \$4,531 was used as at December 31, 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 \$184,405 was used as at December 31, 2008. This credit bears interest at the prime rate of the financial institution plus 1.5%.

6. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

The Company's management is responsible for establishing and maintaining a system of disclosure controls and procedures ("DC&P") (as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109")) designed to provide reasonable assurance that information the Company is required to disclose in the annual filings, interim filings and other reports (the "reports") that it files or submits under the applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in the applicable securities legislation. DC&P include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the applicable securities legislations is accumulated and communicated to the issuer's management, including its chief executive officers and chief financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Company has been listed on Toronto Stock Exchange since July 28, 2008. Prior to being listed on the Toronto Stock Exchange, the Company was a venture issuer pursuant to National Instrument 51-102. As such, in contrast to the certificate required under NI 52-109, the Company's Venture Issuer Basic Certificate did not include any representations relating to the establishment and maintenance of DC&P and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing the certificate were not making any representations with respect to the following: (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its reports filed or submitted under applicable securities legislation were recorded, processed, summarized and reported within the time periods specified in securities legislation; and (ii) the existence of a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The Company's certifying officers were however responsible for ensuring that processes were in place to provide them with sufficient knowledge to support the representations they were making in their certificate.

The Company's ICFR includes, among others, those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

The Company carried out an evaluation of the material weaknesses of our DC&P and of ICFR, under the supervision of and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer as to the material weaknesses relating to the design of its DC&P and of its ICFR as of December 31, 2008. This evaluation was based on the framework set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The evaluation considered the procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the applicable securities legislation is recorded, processed, summarized and reported in the time periods specified in the rules and forms of the applicable securities legislation and communicated to its management as appropriate to allow discussions

regarding required disclosure. Upon such review, its Chief Executive Officer and Chief Financial Officer concluded, that there was no material weakness relating to the design of its DC&P as well of its ICFR as of December 31, 2008, except for the following:

- There are certain deficiencies in the disclosure controls and procedures at the level of information technology and access control management. The Company is currently revising its accesses policies and is deploying a new ERP system that will allow for the management of these access policies.

- Since the Company has few employees in its finance department, a single employee may be authorized to initiate, approve and effect payment for transactions and it might be difficult to re-assign responsibilities to segregate those duties appropriately. The Company is currently reviewing its procedures in order to make sure that there is an adequate breakdown of tasks in the review of its new financial reporting processes.

- The Company had previously identified weaknesses in the skills of its internal accounting team. The Company has strengthened its accounting and finance team with personnel having sufficient accounting and financial reporting expertise to ensure reliable financial reporting and the preparation of financial statements in accordance with the Company's GAAP.

- The Company is in the process of reviewing and documenting its DC&P as well as its ICFR in order to be able to evaluate at the end of its current fiscal year if the Company's DC&P and ICFR designs are operating as intended. To support a conclusion that DC&P or ICFR are effective, its certifying officers will need appropriate evidence at the date of their assessment that the components of DC&P and ICFR that are being currently documented and designed, are operating as intended.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluation of controls can provide absolute assurance that all control issues within a company have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met.

Changes in Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have evaluated whether there were changes to its internal control over financial reporting during the three and six-month periods ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, the ICFR. No such significant changes were identified through their evaluation.

It should be noted that while management believes that current disclosure and internal controls and procedures provide a reasonable level of assurance, it cannot be expected that existing disclosure controls and procedures or internal financial controls will prevent all human errors and circumvention or overriding of the controls and procedures. A control system, no matter how well conceived or operated, can provide only reasonable assurance, not absolute, that the objectives of the control system are met.

Scope Limitation

The Company also carried out an evaluation of the material weaknesses of its DC&P and of ICFR, under the supervision of and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer as to the material weaknesses relating to the design of its DC&P and of its ICFR as of December 31, 2008 for Noveko Algérie and Purer Life, respectively acquired July 17 and August 1st, 2008. The Company has determined that a scope limitation exists with respect to those two acquisitions, which includes risks that could reasonably result in a material misstatement in our interim filings. Therefore, the certifying officers limit the scope of their design of DC&P and ICFR for Noveko Algérie and Purer Life. However, as required by section 3.3 of the NI-52-109, the following summary financial information about those acquired businesses is provided:

	Purer Life	Noveko Algérie
Revenues	450,631	987,690
Net earnings (net loss)	(264,669)	73,496
Current assets	484,065	2,311,659
Non-current assets	7,860,064	987,396
Current liabilities	205,440	229,411
Non-current liabilities	1,436,206	16,833

7. 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.

8. 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

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in 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 1st, 2011. The Company will convert to these new standards according to the timetable set for these rules and will closely monitor changes arising from this convergence.

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 1st, 2008. The Company is currently evaluating the effects of adopting this standard.

In January 2009, the CICA issued Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests".

Section 1582 will be converged with IFRS 3, "Business Combinations". Section 1602 will be converged with the requirements of IAS 27, "Consolidated and Separate Financial Statements", for non-controlling interests. Section 1601 carries forward the requirements of Section 1600, "Consolidated Financial Statements", other than those relating to non-controlling interests.

Section 1582 applies to a transaction in which the acquirer obtains control of one or more businesses. The term "business" is more broadly defined than in the existing standard. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. A bargain purchase will result in recognition of a gain. Acquisition costs must be expensed.

Under Section 1602, any non-controlling interest will be recognized as a separate component of shareholders' equity. Net income will be calculated without deduction for the non-controlling interest. Rather, net income will be allocated between the controlling and non-controlling interests.

The new standards will become effective in 2011. The Company is currently evaluating the impact of the adoption of these new standards on its consolidated financial statements.



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



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

February 12, 2009