

Consolidated interim financial statements of
(unaudited)

NOVEKO INTERNATIONAL INC.

Periods ended March 31, 2009 and 2008

NOVEKO INTERNATIONAL INC.

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(unaudited)

Periods ended March 31, 2009 and 2008

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NOVEKO INTERNATIONAL INC.

Consolidated balance sheets

As at March 31, 2009 and June 30, 2008

	March 31 2009	June 30 2008
	(unaudited)	(audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 291,101	\$ 11,594,335
Deposit for acquisition	74,340	1,274,625
Short-term investments	7,979,355	12,516,884
Accounts receivable	5,866,089	5,092,191
Inventories	8,597,983	5,868,045
Prepaid expenses	523,894	820,119
	23,332,762	37,166,199
Fixed assets	8,682,621	7,206,885
Intangible assets	10,475,502	2,572,372
Other assets	1,128,493	1,442,283
Future income taxes	477,850	762,311
Goodwill	19,116,068	13,708,240
	\$ 63,213,296	\$ 62,858,290
Liabilities and shareholders' equity		
Current liabilities:		
Bank advances	\$ 1,297,540	\$ 1,112,665
Bank loan	-	561,435
Accounts payable and accrued liabilities	3,750,824	4,318,727
Current portion of long-term debt	933,819	636,116
	5,982,183	6,628,943
Long-term debt	3,431,138	3,086,827
Secured convertible debentures	1,763,990	2,462,909
Future income taxes	2,476,469	906,464
Shareholders' equity:		
Capital stock (note 6)	80,680,736	70,084,061
Portion of secured convertible debentures included in equity	372,473	611,537
Warrants (note 8)	-	85,983
Contributed surplus	17,014,626	7,967,778
Accumulated other comprehensive income (note 9)	10,376	347,359
Deficit	(48,518,695)	(29,323,571)
	49,559,516	49,773,147
Financial statements disclosure (note 1)		
	\$ 63,213,296	\$ 62,858,290

See accompanying notes to the unaudited consolidated financial statements.

On behalf of the board,

(signed) *André Leroux*, Director

(signed) *Moïse Moghrabi*, Director

NOVEKO INTERNATIONAL INC.

Consolidated statements of operations

Three and nine month periods ended March 31, 2009 and 2008
(unaudited)

	Three months		Nine months	
	2009	2008	2009	2008
Revenues	\$ 3,933,804	\$ 3,559,944	\$ 13,779,447	\$ 10,171,027
Cost of sales	2,089,909	1,866,842	8,214,765	5,921,581
	1,843,895	1,693,102	5,564,682	4,249,446
Operating expenses:				
Administrative and selling expenses	3,915,492	2,849,181	12,013,048	7,732,258
Stock-based compensation	3,030,931	2,470,334	9,308,848	4,848,740
Research and development	422,493	53,257	1,096,550	333,002
Research and development tax credits	(23,324)	(15,216)	(477,665)	(267,803)
	7,345,592	5,357,556	21,940,781	12,646,197
Loss before amortization, financial expenses and income taxes	(5,501,697)	(3,664,454)	(16,376,099)	(8,396,751)
Amortization (note 5 a))	620,162	264,982	1,831,176	756,088
Financial expenses (note 5 b))	(225,462)	(50,727)	1,178,853	(11,505)
	394,700	214,255	3,010,029	744,583
Loss before income taxes	(5,896,397)	(3,878,709)	(19,386,128)	(9,141,334)
Income taxes:				
Current (recovered)	(166,514)	43,511	(175,360)	45,569
Future	(21,948)	(78,161)	(22,401)	(185,364)
	(188,462)	(34,650)	(197,761)	(139,795)
Net loss	\$ (5,707,935)	\$ (3,844,059)	\$ (19,188,367)	\$ (9,001,539)
Basic and diluted earnings per share	\$ (0.09)	\$ (0.07)	\$ (0.29)	\$ (0.17)
Weighted average number of outstanding shares basic and diluted	66,998,694	55,281,253	66,471,880	53,562,687

See accompanying notes to the unaudited consolidated financial statements.

NOVEKO INTERNATIONAL INC.

Consolidated statements of comprehensive loss

Three and nine month periods ended March 31, 2009 and 2008
(unaudited)

	Three months		Nine months	
	2009	2008	2009	2008
Net loss	\$ (5,707,935)	\$ (3,844,059)	\$ (19,188,367)	\$ (9,001,539)
Other comprehensive loss, net of income taxes:				
Change in unrealized gains (losses) on translation of financial statements of self-sustaining foreign operations	(1,354,233)	845,329	(336,983)	909,413
Comprehensive loss	\$ (7,062,168)	\$ (2,998,730)	\$ (19,525,350)	\$ (8,092,126)

See accompanying notes to the unaudited consolidated financial statements.

NOVEKO INTERNATIONAL INC.

Consolidated statements of deficit and contributed surplus

Nine month periods ended March 31, 2009 and 2008
(unaudited)

	March 31 2009	March 31 2008
DEFICIT		
Deficit, beginning of period	\$ (29,323,571)	\$(12,672,254)
Restatement related to the new accounting policies (note 2)	49,243	3,161
Restated balance	(29,274,328)	(12,669,093)
Net loss	(19,188,367)	(9,001,539)
Share issuance fees	(56,000)	(25,090)
Deficit, end of period	\$ (48,518,695)	\$(21,695,722)
CONTRIBUTED SURPLUS		
Contributed surplus, beginning of period	\$ 7,967,778	\$ 1,325,504
Fair value of stock options granted	9,308,848	4,848,740
Fair value of stock options exercised	(262,000)	(619,119)
Contributed surplus, end of period	\$ 17,014,626	\$ 5,555,125

See accompanying notes to the unaudited consolidated financial statements.

NOVEKO INTERNATIONAL INC.

Consolidated statements of cash flows

Three and nine month periods ended March 31, 2009 and 2008
(unaudited)

	Three months		Nine months	
	2009	2008	2009	2008
Cash flows from operating activities:				
Net loss	\$ (5,707,935)	\$ (3,844,059)	\$ (19,188,367)	\$ (9,001,539)
Adjustments for :				
Future income taxes	(21,948)	(78,161)	(22,401)	(185,364)
Accreted interest on secured convertible debentures	64,635	100,248	201,945	361,622
Stock-based compensation	3,030,931	2,470,334	9,308,848	4,848,740
Amortization (note 5a))	620,162	264,982	1,831,176	756,088
Loss (gain) on fair value of short-term investments	(433)	79,197	(3,254)	47,606
Unrealised loss (gain) on currency contracts	472,420	-	(76,885)	-
Gain on disposal of fixed assets	(1,954)	-	(9,185)	-
Foreign exchange loss (gain)	(5,688)	70	(6,233)	1,905
	(1,549,810)	(1,007,389)	(7,964,356)	(3,170,942)
Net change in non-cash working capital	(967,567)	(1,286,977)	(5,848,946)	(3,464,063)
	(2,517,377)	(2,294,366)	(13,813,302)	(6,635,005)
Cash flows from financing activities :				
Net changes in bank advances	(97,493)	439,580	184,875	718,177
Increase in bank loan	11,760	180,600	-	324,800
Repayment of bank loan	-	-	(584,850)	-
Increase in long-term debt	117,516	211,172	177,516	211,172
Principal repayment on long-term debt	(198,381)	(206,928)	(534,989)	(733,791)
Interest paid on secured convertible debentures	(39,747)	(64,832)	(125,911)	(240,979)
Proceeds of Class A shares and warrants issued less related expenses	30,000	2,739,101	3,956,775	6,121,218
	(116,345)	3,298,693	3,073,416	6,400,677
Cash flows from investing activities:				
Business acquisition, including cash acquired and overdraft assumed (note 4)	(29,686)	-	(5,936,483)	(525,403)
Acquisition of fixed assets	(180,430)	(364,602)	(685,763)	(1,772,879)
Proceeds from disposal of fixed assets	23,000	-	31,859	-
Government assistance related to acquisition of fixed assets	-	-	-	47,500
Acquisition of intangible assets	(56,652)	(10,368)	(332,693)	(20,118)
Proceeds from disposal of short-term investments	4,421,842	18,418,650	62,177,235	38,678,214
Acquisition of short-term investments	(1,297,584)	(19,197,644)	(55,603,116)	(38,180,203)
Acquisition of other assets	-	(49,505)	-	(326,152)
Deposit for acquisition	380	-	(1,755)	-
Deferred development costs	(87,913)	(77,507)	(259,130)	(242,456)
	2,792,957	(1,280,976)	(609,846)	(2,341,497)
Foreign exchange loss (gain) on cash in foreign currencies	(7,603)	89,219	46,498	89,941
Net change in cash and cash equivalents	151,632	(187,430)	(11,303,234)	(2,485,884)
Cash and cash equivalents, beginning of period	139,469	370,040	11,594,335	2,668,494
Cash and cash equivalents, end of period	\$ 291,101	\$ 182,610	\$ 291,101	\$ 182,610

Cash flows related to operating activities include interest paid for \$435,789 (\$361,222 in 2008) and income taxes received for \$104,300 (paid for \$157,103 in 2008).

See accompanying notes to the unaudited consolidated financial statements.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

March 31, 2009
(unaudited)

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

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

1. Financial statements disclosure:

The unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. The financial information was prepared in accordance with the same accounting policies and methods as the audited annual financial statements for the year ended June 30, 2008. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements and accompanying notes. The results of operations for the interim period presented do not necessarily reflect results for the full year.

2. Changes in accounting policies:

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

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

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

- \$43,243 increase in inventories
- \$43,243 decrease of the deficit

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2009
(unaudited)

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

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

3. Future changes in accounting policies:

- a) In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian Generally Accepted Accounting Principles ("GAAP"), as used by public companies, being evolved and converged with International Financial Reporting Standards ("IFRS") over a transitional period to be completed by 2011. The Company will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning on or after January 1st, 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.
- c) 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 1601 carries forward the requirements of Section 1600, "Consolidated Financial Statements", other than those relating to non-controlling interests. Section 1602 will be converged with the requirements of IAS 27, "Consolidated and Separate Financial Statements", for 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.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2009
(unaudited)

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

- c) 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.

These new standards will become effective to interim and annual financial statements relating to fiscal years beginning on or after January 1st, 2011. The Company is currently evaluating the impact of the adoption of these new standards on its consolidated financial statements.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2009
(unaudited)

4. Business acquisition and asset purchase:

a) Transactions during the nine-month period ended March 31, 2009:

- i) On July 10, 2008, the Company acquired 100% of the outstanding shares of Unitam International Management Corporation Inc., an international business development service agency established in North America and Asia. The operations of this company were grouped in the segment of development and marketing of products in the biomedical and environmental fields. The acquisition was settled by a cash consideration of \$250,000 and by the issuance of 500,000 Class A shares amounting to \$1,976,500. The acquisition fees of \$21,841 are included in the acquisition price. The acquisition was accounted for under the purchase method, and the operating results of the subsidiary are included in the consolidated financial statements from the acquisition date.

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

Assets acquired:	
Cash	\$ 472
Accounts receivable	31,542
Prepaid expenses	10,605
Deposits	53,472
Fixed assets	36,892
Deferred costs	1,572
Sales agent agreement	2,355,206
	<hr/> 2,489,761
Liabilities assumed:	
Accounts payable and accrued liabilities	228,749
Long term debt	1,138
Deferred revenues	11,533
	<hr/> 241,420
Net assets at fair value	<hr/> \$ 2,248,341
Consideration:	
Cash, including acquisition fees	\$ 271,841
Class A shares issued (note 6 c) i))	1,976,500
	<hr/> \$ 2,248,341

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2009
(unaudited)

4. Business acquisition and asset purchase (cont'd):

a) Transactions during the nine-month period ended March 31, 2009 (cont'd):

- ii) On July 17, 2008, the Company acquired 100% of the outstanding shares of SARL Noveko Algérie, a medical equipment import company. The operations of this company were grouped in the segment of development, manufacturing and marketing of medical equipment. SARL Noveko Algérie was owned at 50% by shareholder's directors exercising significant influence on the Company. The acquisition was settled by the issuance of 240,000 Class A shares amounting to \$921,120. The acquisition fees of \$85,906 are included in the acquisition price. The acquisition was accounted for under the purchase method, and the operating results of the subsidiary are included in the consolidated financial statements from the acquisition date.

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

Assets acquired:	
Cash	\$ 62,712
Short-term investments	8,450
Accounts receivable	227,187
Inventories	560,187
Prepaid expenses	71,736
Fixed assets	127,851
Intangible assets	60,651
Deferred costs	4,772
Future income taxes	43,274
Goodwill	678,232
	<hr/>
	1,845,052
Liabilities assumed:	
Accounts payable and accrued liabilities	142,395
Advances	677,091
Future income taxes	18,540
	<hr/>
	838,026
	<hr/>
Net assets at fair value	\$ 1,007,026
	<hr/>
Consideration:	
Acquisition fees	\$ 85,906
Class A shares issued (note 6 c) ii)	921,120
	<hr/>
	\$ 1,007,026

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2009
(unaudited)

4. Business acquisition and asset purchase (cont'd):

a) Transactions during the nine-month period ended March 31, 2009 (cont'd):

iii) On July 18, 2008, the Company acquired 100% of the outstanding shares of Groupe Conseil Micron-Air inc. and 100% of the outstanding shares of Gestion Simon Labrecque Inc., a designer and manufacturer of air quality systems targeted to the residential market. The operations of this company were grouped in the segment of development and marketing of products in the biomedical and environmental fields. The acquisition was settled by a cash consideration of \$800,000 and by the issuance of 600,000 Class A shares amounting to \$2,302,800. The acquisition fees of \$26,171 are included in the acquisition price. The acquisition was accounted for under the purchase method, and the operating results of the subsidiary are included in the consolidated financial statements from the acquisition date.

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

Assets acquired:	
Cash	\$ 84
Accounts receivable	308,072
Inventories	454,277
Prepaid expenses	22,036
Fixed assets	1,170,262
Intangible assets	1,230,226
Goodwill	1,651,962
	<hr/> 4,836,919
Liabilities assumed:	
Bank overdraft	137,080
Accounts payable and accrued liabilities	220,910
Long-term debt	947,006
Future income taxes	402,952
	<hr/> 1,707,948
Net assets at fair value	<hr/> \$ 3,128,971 <hr/>
Consideration:	
Cash, including acquisition fees	\$ 826,171
Class A shares issued (note 6 c) iv))	2,302,800
	<hr/> \$ 3,128,971 <hr/>

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2009
(unaudited)

4. Business acquisition and asset purchase (cont'd):

a) Transactions during the nine-month period ended March 31, 2009 (cont'd):

iv) On August 1st, 2008, the Company acquired 100% of the outstanding shares of Purer Life Technology Co., Ltd. and acquired 100% of the outstanding shares of U-Bond Inc. Those companies specialize in the development and manufacture of filtration fabrics. The operations of this company were grouped in the segment of development and marketing of products in the biomedical and environmental fields. The acquisition was settled by a cash consideration of \$5,857,040. The acquisition fees of \$428,533 are included in the acquisition price. The acquisition was accounted for under the purchase method, and the operating results of the subsidiary are included in the consolidated financial statements from the acquisition date.

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

Assets acquired:	
Cash	\$ 14,417
Accounts receivable	340,631
Inventories	363,011
Prepaid expenses	23,305
Fixed assets	127,717
Intangible assets	4,850,000
Goodwill	2,420,233
	<hr/> 8,139,314
Liabilities assumed:	
Accounts payable and accrued liabilities	352,716
Deferred revenues	2,375
Future income taxes	1,498,650
	<hr/> 1,853,741
Net assets at fair value	<hr/> \$ 6,285,573
Consideration:	
Cash, including acquisition fees	\$ 6,285,573
	<hr/> \$ 6,285,573

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2009
(unaudited)

4. Business acquisition and asset purchase (cont'd):

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

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

The fair value of the net assets acquired is attributed as follows:

Assets acquired:	
Accounts receivable	\$ 58,166
Inventories	117,922
Fixed assets	78,824
Intangible assets	575,840
Future income taxes	62,157
Goodwill	5,196,559
	<hr/> 6,089,468
Liabilities assumed:	
Bank overdraft	8,427
Bank advances	64,088
Accounts payable and accrued liabilities	170,587
Long-term debt	209,111
Future income taxes	187,346
	<hr/> 639,559
Net assets at fair value	<hr/> \$ 5,449,909
Consideration:	
Cash, including acquisition fees	\$ 516,976
Class A shares issued (note 6 d) i))	4,932,933
	<hr/> \$ 5,449,909

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2009
(unaudited)

4. Business acquisition and asset purchase (cont'd):

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

- ii) On June 10, 2008, the Company acquired 100% of the outstanding shares of Magnum Pharmaceuticals Inc., a management services company specialized in the commercialization of pharmaceutical and related products in Canada and worldwide. The operations of this company were grouped in the segment of development and marketing of products in the biomedical and environmental fields. The acquisition was settled by the issuance of 618,557 Class A shares amounting to \$3,009,279. The acquisition fees of \$35,444 are included in the acquisition price. The acquisition was accounted for under the purchase method, and the operating results of the subsidiary are included in the consolidated financial statements from the acquisition date.

The fair value of the net assets acquired is attributed as follows:

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

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2009
(unaudited)

5. Information on operations:

	Three months		Nine months	
	2009	2008	2009	2008
a) Amortization:				
Amortization of fixed assets	\$ 240,721	\$ 179,020	\$ 676,874	\$ 500,723
Amortization of intangible assets	307,658	85,962	945,592	254,368
Amortization of deferred development costs	71,441	-	207,808	997
Amortization of deferred costs	342	-	902	-
	\$ 620,162	\$ 264,982	\$ 1,831,176	\$ 756,088
b) Financial expenses:				
Interest on loan due to a shareholder exercising significant influence	\$ -	\$ 10	\$ -	\$ 829
Interest on long-term debt	46,396	65,915	184,255	191,346
Accreted interest on convertible debentures	65,327	100,248	201,945	361,622
Interest on bank loans and bank charges	43,197	25,432	132,677	62,259
Foreign exchange gain	(788,269)	(136,968)	(1,150,783)	(151,107)
Loss (gain) on fair value of short-term investments	(433)	79,197	(3,254)	47,606
Loss on currency contracts	469,602	-	2,152,895	-
Investment revenues	(61,282)	(184,561)	(338,882)	(524,060)
	\$ (225,462)	\$ (50,727)	\$ 1,178,853	\$ (11,505)

6. Capital stock:

a) Authorized:

On March 31, 2009, the authorized capital stock includes the following:

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

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

Unlimited number of Class C shares, non-voting, non-participating dividends at the Bank of Canada's prime rate plus a percentage varying from 0% to 5% of issuance value, cumulative or non-cumulative, at Board of Directors' discretion, dividend with priority rank to Class A and Class B shares, redeemable at the option of the Company at an amount equal to the consideration received at issuance, without par value;

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2009
(unaudited)

6. Capital stock (cont'd):

b) Issued:

	March 31 2009	June 30 2008
67,007,027 Class A shares (63,087,727 in June 2008)	\$ 80,680,736	\$ 70,084,061

c) Transactions during the nine-month period ended March 31, 2009:

- i) Issuance of 500,000 Class A shares for a total amount of \$1,976,500, in consideration of the acquisition of all the outstanding shares of Unitam International Management Corporation Inc.
- ii) Issuance of 240,000 Class A shares for a total amount of \$921,120, in consideration of the acquisition of all the outstanding shares of SARL Noveko Algérie.
- iii) Issuance of 16,800 Class A shares for a total amount of \$64,680, in consideration of fees paid for the acquisition of all the outstanding shares of SARL Noveko Algérie.
- iv) Issuance of 600,000 Class A shares for a total amount of \$2,302,800, in consideration of the acquisition of all the outstanding shares of Groupe Conseil Micron-Air Inc and Gestion Simon Labrecque Inc.
- v) Issuance of 202,500 Class A shares following the exercise of 202,500 warrants for a cash consideration of \$236,575 and a transfer of \$85,983 from warrants.
- vi) Issuance of 800,000 Class A shares following the exercise of conversion right of \$1,000,000 of convertible debentures. Amounts of \$774,953 and of \$239,064 were transferred from secured convertible debentures and from the equity component of secured convertible debentures included in equity, respectively.
- vii) Issuance of 1,100,000 Class A shares for a cash consideration of \$3,355,000.
- viii) Issuance of 460,000 Class A shares following the exercise of 460,000 stock options for a cash consideration of \$378,000 and a transfer of \$262,000 from contributed surplus.

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

- i) Issuance of 745,156 Class A shares for a total amount of \$4,932,933, in consideration of the acquisition of all the outstanding shares of Laboratoire Syma Inc.
- ii) Issuance of 618,557 Class A shares for a total amount of \$3,009,279, in consideration of the acquisition of all the outstanding shares of Magnum Pharmaceuticals Inc.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

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6. Capital stock (cont'd):

- iii) Issuance of 1,188,404 Class A shares following the exercise of 1,188,404 stock options for a cash consideration of \$1,182,380 and a transfer of \$798,367 from contributed surplus.
- iv) Issuance of 7,572,000 Class A shares following the exercise of 7,572,000 warrants for a cash consideration of \$19,820,200 and a transfer of \$4,568,449 from warrants.
- v) Issuance of 2,347,729 Class A shares following the exercise of conversion right of \$2,124,586 of convertible debentures. Amounts of \$1,894,533 and of \$307,198 were transferred from secured convertible debentures and from the equity component of secured convertible debentures included in equity, respectively.

7. Stock option plan:

The Company instituted fixed stock option plans for which options can be granted to its officers, directors, employees and to persons providing services on a continuous basis to the Company. Under those plans, 10,698,780 Class A shares were reserved. The exercise price of the options is equal to the Company's quoted share price at the preceding date on which the options are granted.

The following table summarizes the changes in the plans position between June 30, 2008 and March 31, 2009:

	March 31, 2009		June 30, 2008	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of period	5,981,595	\$ 3.77	4,394,998	\$ 1.17
Granted	2,825,000	2.79	2,900,000	6.51
Exercised	(460,000)	0.82	(1,188,404)	0.99
Expired	(395,000)	4.55	(124,999)	2.12
Balance, end of period	7,951,595	\$ 3.56	5,981,595	\$ 3.77
Options that can be exercised at end of period	5,136,597	\$ 3.61	3,539,930	\$ 2.34
Weighted average fair value of options granted during the period		\$ 2.07		\$ 4.66

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Notes to consolidated financial statements (cont'd)

March 31, 2009
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7. Stock option plan (cont'd):

The following table summarizes the information on the outstanding stock options as at March 31, 2009:

		Outstanding options	Exercisable options
Exercise price	Number	Weighted average outstanding maturity period (year)	Number
\$ 0.87	1,651,329	2.75	1,651,329
1.31	291,934	2.91	291,934
2.75	483,332	3.17	483,332
6.80	1,900,000	3.58	1,566,667
9.68	100,000	3.75	66,667
6.25	100,000	3.91	66,667
4.85	400,000	4.25	200,000
3.95	200,000	4.25	100,000
3.98	200,000	4.33	66,667
3.82	200,000	4.33	66,667
3.85	200,000	4.33	66,667
3.52	350,000	4.33	116,667
3.05	200,000	4.42	66,667
2.49	250,000	4.42	83,333
3.98	400,000	4.50	133,333
1.80	210,000	4.58	35,000
2.05	400,000	4.58	66,667
1.18	50,000	4.67	8,333
0.60	250,000	4.75	-
0.87	115,000	4.92	-
	7,951,595	3.90	5,136,597

a) Transaction during the nine-month period ended March 31, 2009:

The Company has granted 2,825,000 stock options allowing the acquisition of 2,825,000 Class A shares at a weighted average exercise price of \$2.79 with a vesting period extending over 12 and 30 months.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2009
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7. Stock option plan (cont'd):

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

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

c) Compensation costs:

Compensation costs related to the stock option plan amount to \$9,308,848 for the nine-month period ended March 31, 2009 (\$4,848,740 for the nine-month period ended March 31, 2008).

d) Fair value of the options:

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

	March 31 2009	June 30 2008
Weighted average expected dividend rate	Nil	Nil
Weighted average volatility	97%	95%
Weighted average risk-free interest rate	2.96%	4.03%
Weighted average expected life of options	60 months	60 months

8. Warrants:

The following table summarizes the changes in the warrants position between June 30, 2008 and March 31, 2009:

	March 31, 2009		June 30, 2008	
	Warrant Number	Amount	Warrant Number	Amount
Balance, beginning of period	202,500	\$ 85,983	7,792,000	\$ 4,667,446
Exercised	(202,500)	(85,983)	(7,572,000)	(4,568,449)
Expired	-	-	(17,500)	(13,014)
Balance, end of period	-	\$ -	202,500	\$ 85,983

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2009
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9. Accumulated other comprehensive income :

The changes that occurred during the period were as follows:

	March 31 2009	March 31 2008
Balance, beginning of period	\$ 347,359	\$ (458,974)
Unrealized gain (loss) on translation of financial statements of self-sustaining foreign operations	(336,983)	909,413
Balance, end of period	\$ 10,376	\$ 450,439

10. Related party transactions:

During the nine-month period ended March 31, 2009, the Company paid interest in the amount of \$ - (\$829 for the nine-month period ended March 31, 2008) to a corporate shareholder exercising significant influence. This amount was charged to financial expenses in the statement of operations. These transactions were concluded in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

11. Capital Management:

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

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

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

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

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

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11. Capital Management (cont'd):

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

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

12. Financial instruments:

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

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

a) Interest rate risk:

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

As at March 31, 2009, a 0.5% decrease or increase of the interest rates and assuming that all other variables remain constant, would not had a significant impact on the Company's loss and comprehensive loss for the periods ended March 31, 2009 and the year ended June 30, 2008.

b) Currency risk:

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

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

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

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

March 31, 2009
(unaudited)

12. Financial instruments (cont'd):

b) Currency risk (cont'd):

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

	<u>US</u> March 31 2009	<u>US</u> June 30 2008	<u>Euro</u> March 31 2009	<u>Euro</u> June 30 2008
Cash	\$ 71,826	\$ 194,308	\$ 15,519	\$ -
Accounts receivable	802,128	1,578,833	456,990	346,946
Accounts payable	1,101,734	1,691,719	-	-

Based on the above exposures as at March 31, 2009, and assuming that all other variables remain constant, a 5% depreciation or appreciation of the Canadian dollars against the American dollars, and Euro would result in an decrease or increase in the Company's net loss and comprehensive loss of approximately \$25,000.

c) Counterparty credit risk:

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

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

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

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

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

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12. Financial instruments (cont'd):

d) Liquidity risk:

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

The following are the undiscounted contractual obligation maturities of financial liabilities as at March 31, 2009:

	Maturities			
	Total \$	Less than 1 year \$	2 years \$	More than 2 years \$
Bank advances	1,297,540	1,297,540	-	-
Accounts payable and accrued liabilities	3,750,824	3,750,824	-	-
Long term debt	4,364,957	933,819	743,008	2,688,130
Secured convertible debentures	1,763,990	952,862	-	811,127

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

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12. Financial instruments (cont'd):

d) Fair values:

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

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

	March 31 2009		June 30 2008	
	Book value	Fair value	Book value	Fair value
Short -term investments	\$ 7,979,355	\$ 7,979,355	\$ 12,516,884	\$ 12,516,884
Long term debt	\$ 4,364,957	\$ 4,362,282	\$ 3,722,943	\$ 3,567,081
Convertible debentures	\$ 1,763,990	\$ 1,763,990	\$ 2,462,909	\$ 2,462,909

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

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

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13. Segmented information:

Management has determined that the Company was carrying its activities in three significant segments: development, manufacturing and marketing of medical equipment, custom processing and distribution of steel products and development and marketing of products in the biomedical and environmental fields.

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

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

Information on the results and the assets of each segment:

	Three months		Nine months	
	2009	2008	2009	2008
Revenues from external clients :				
Manufacturing and distribution of medical equipment	\$ 1,952,579	\$ 1,531,426	\$ 6,003,958	\$ 4,803,622
Custom processing and distribution of steel products	1,175,141	1,789,434	4,840,429	4,923,804
Development of biomedical and environmental activities	656,084	89,084	2,785,060	293,601
Other	150,000	150,000	150,000	150,000
	\$ 3,933,804	\$ 3,559,944	\$ 13,779,447	\$ 10,171,027
Profit (loss) before amortization, financial expenses and income taxes :				
Manufacturing and distribution of medical equipment	\$ 387,364	\$ (243,512)	\$ (124,117)	\$ (195,312)
Custom processing and distribution of steel products	40,431	261,594	51,193	530,372
Development of biomedical and environmental activities	(3,079,750)	(1,122,069)	(7,059,976)	(2,890,947)
Other	(2,849,742)	(2,560,467)	(9,243,199)	(5,840,864)
	\$ (5,501,697)	\$ (3,664,454)	\$ (16,376,099)	\$ (8,396,751)
Amortization :				
Manufacturing and distribution of medical equipment	\$ 144,175	\$ 38,651	\$ 397,289	\$ 106,350
Custom processing and distribution of steel products	148,626	137,364	438,976	407,835
Development of biomedical and environmental activities	294,091	69,589	905,214	190,628
Other	33,270	19,378	89,697	51,275
	\$ 620,162	\$ 264,982	\$ 1,831,176	\$ 756,088

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

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13. Segmented information (cont'd):

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

	Three months		Nine months	
	2009	2008	2009	2008
Interest expense :				
Manufacturing and distribution of medical equipment	\$ 16,902	\$ 4,917	\$ 56,934	\$ 55,888
Custom processing and distribution of steel products	41,844	73,439	171,543	178,336
Development of biomedical and environmental activities	28,881	7,603	75,704	14,588
Other	67,293	105,646	214,696	367,244
	\$ 154,920	\$ 191,605	\$ 518,877	\$ 616,056
Income taxes :				
Manufacturing and distribution of medical equipment	\$ (184,686)	\$ -	\$ (185,413)	\$ -
Custom processing and distribution of steel products	-	45,297	57,874	28,950
Development of biomedical and environmental activities	4,502	(79,947)	(66,575)	(167,256)
Other	(8,278)	-	(3,647)	(1,489)
	\$ (188,462)	\$ (34,650)	\$ (197,761)	\$ (139,795)
Net profit (loss) :				
Manufacturing and distribution of medical equipment	\$ 92,125	\$ (243,583)	\$ (662,604)	\$ (322,117)
Custom processing and distribution of steel products	(131,024)	21,290	(590,785)	(84,884)
Development of biomedical and environmental activities	(3,935,971)	(1,117,270)	(8,132,923)	(2,928,907)
Other	(1,733,065)	(2,504,496)	(9,802,055)	(5,665,631)
	\$ (5,707,935)	\$ (3,844,059)	\$ (19,188,367)	\$ (9,001,539)
Fixed asset expenditures :				
Manufacturing and distribution of medical equipment	\$ 213,395	\$ 304,461	\$ 739,738	\$ 545,600
Custom processing and distribution of steel products	547	64,212	9,302	68,097
Development of biomedical and environmental activities	48,357	-	189,420	5,305
Other	62,696	133,309	339,126	1,742,603
	\$ 324,995	\$ 501,982	\$ 1,277,586	\$ 2,361,605

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements (cont'd)

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13. Segmented information (cont'd):

	March 31 2009	March 31 2008
Assets :		
Manufacturing and distribution of Medical equipment	\$ 17,099,266	\$ 13,589,174
Custom processing and distribution Of steel products	8,466,191	11,170,251
Development of biomedical and environmental activities	26,994,540	8,614,648
Other	10,653,299	16,236,167
	\$ 63,213,296	\$ 49,610,240

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

	March 31 2009	June 30 2008
Canada	\$ 17,096,666	\$ 14,438,461
France	6,712,058	6,476,664
Algeria	810,692	-
Taiwan	3,179,273	-
	\$ 27,798,689	\$ 20,915,125

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

	Three months		Nine months	
	2009	2008	2009	2008
Canada	\$ 2,123,088	\$ 2,060,620	\$ 7,663,968	\$ 5,556,022
Latin America	79,197	102,664	259,740	325,209
United States	11,013	76,302	136,052	507,058
Europe	1,123,510	1,203,188	3,466,381	2,912,200
Africa, Asia and Australia	596,996	117,170	2,253,306	870,538
Total revenues	\$ 3,933,804	\$ 3,559,944	\$ 13,779,447	\$ 10,171,027

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Notes to consolidated financial statements (cont'd)

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14. Possible sale of a subsidiary:

On March 3, 2009, the Company accepted an offer to purchase all the issued and outstanding shares it holds in its subsidiary Bolduc Leroux Inc., specialized in the custom processing and distribution of steel products. The price offered for the sale of those shares is \$1,800,000 payable in cash on closing of the transaction which is scheduled to close no later than May 31, 2009. The purchase offer also provides for the repayment, over a six-year period, of its \$1,900,000 debt to the company. This transaction is subject to the usual conditions including a satisfactory due diligence and the finalization by the purchaser of the needed financing to complete the transaction. Since the closing of this sale is subject to certain conditions, the occurrence of which being uncertain, the Company does not make a distinct presentation of those long-lived assets to be disposed of by sale, nor does it reflect the impact of this possible discontinued operation in its results. The recommendations of section 3475 of the CICA Handbook shall be applied once the uncertainty is resolved. The sale fits with the corporate mission of developing the biomedical, environmental and medical equipment activities.

15. Comparative figures:

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