



**Interim Report 3**  
Three and Nine-Month Periods  
Ended March 31, 2009

# 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 third quarter and nine-month period ended March 31, 2009, in comparison with the corresponding periods ended March 31, 2008, as well as its cash flows and changes in financial position between those dates. Management's Report should be read in conjunction with the unaudited consolidated financial statements and accompanying notes as at March 31, 2009. 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](http://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 up to May 14, 2009, the date on which the Board of Directors approved the unaudited financial statements and the Management's Report for the third quarter and nine-month period ended March 31, 2009. It presents the Company's status and business context as they were, to management's best knowledge, at the time this report was written.

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

### **Compliance with Canadian GAAP**

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

## **Use of Estimates and Forward-Looking Statements**

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

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

The statements set forth in this Management's Report 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. offers innovative solutions in the environmental and medical fields worldwide, with the purpose of improving health and well-being. Through its subsidiaries, the Company specializes primarily in the following business segments:

- the development, manufacturing and marketing of derivative products from its patented antimicrobial filtration technology, including air filters, surgical masks and respirators, along with other products with antimicrobial properties such as AZURO™ antiseptic disinfectants; and
- the development, manufacturing and marketing of medical equipment, primarily portable real-time ultrasound scanners for use in human and veterinary medicine.

## **Background of the Company**

### ***Origin***

The current Company results from a 2004 reverse takeover by the shareholders of Noveko (at the time, specializing in the design and sale of portable real-time ultrasound scanners for use in veterinary medicine) of the shares of a dormant company listed on the TSX Venture Exchange. Effective July 28, 2008, the Company's shares ceased being traded on the TSX Venture Exchange and were listed on the Toronto Stock Exchange under the ticker symbol EKO.

### ***Acquisition and Creation of Subsidiaries***

With a view to long-term growth and international development, the Company subsequently made several acquisitions and created businesses to strengthen its group of activities and expertise, focused primarily on the medical and environmental fields, while diversifying its markets and product offering.

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|---------------|---|
| November 2004 | Acquisition of the French company S.A.S. E.C.M. ("ECM"), specializing in the design, production and marketing of portable real-time ultrasound scanners. Since then, the Company's ultrasound scanner activities have been transferred to ECM.                              |
| April 2006    | Acquisition of 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 that have since been transferred to Noveko. |
| July 2007     | Acquisition of Laboratoire SyMa Inc. ("SyMa"), a company specializing in the manufacture of disinfectants marketed under the Azuro™ brand, whose activities are now integrated with those of Noveko.  |
| June 2008     | Acquisition of Magnum Pharmaceuticals Inc. ("Magnum"), a management services company specialized in the marketing of pharmaceuticals, over-the-counter drugs and medical devices.   |
| July 2008     | Acquisition of Unitam International Management Corporation Inc. ("Unitam"), an agency focused on the development of international business services established in North American and Asia.   |
| July 2008     | Acquisition of SARL Noveko Algérie ("Noveko Algérie"), a medical equipment import business in Algeria and other Maghreb countries.  |
| July 2008     | Acquisition of 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.   |

- August 2008 Acquisition of Purer Life Technology Co., Ltd. (and of U-Bond Inc., an entity of the same group – collectively “Purer Life”), a company that develops and manufactures antimicrobial filtration fabric and holds an extensive portfolio of intellectual property rights with multiple applications. In May 2009, U-Bond Inc. was liquidated into Noveko Trading 2008 LLC (“Noveko Trading”).
- November 2008 Setting-up of Noveko Taiwan Co., Ltd. (“Noveko Taiwan”) to facilitate the import and distribution of the Company’s products in Asian markets.
- 2008 - 2009 Creation of Noveko Trading and setting-up of its Luxembourg branch. Noveko Trading will notably be responsible for the international marketing of the products of the Company’s various subsidiaries upon the granting of licences to various intellectual property rights.

### **Third-Quarter Highlights**

#### ***Proposed Sale of BLI***

On March 3, 2009, the Company announced it had accepted an offer to purchase all the issued and outstanding shares it held in BLI. This offer was presented by Messrs. Sylvain St-Maurice, General Manager of BLI, and Christian Choquette, Director of Operations of BLI, on behalf of a company to be formed. The \$1.8 million purchase price is payable in cash on closing of the transaction. This transaction is subject to the usual conditions including a satisfactory due diligence and the finalization by the purchaser of the financing needed to complete the transaction. The offer to purchase also provides for the repayment, over a six-year period, of BLI’s debt to the Company, which amounted to \$1.9 million as at March 3, 2009. On April 30, 2009, the Company announced that the parties had agreed to postpone the closing of the transaction to no later than May 31, 2009. The sale of BLI fits with the Company’s corporate mission, which is now focused on the growth of its business in the environmental and medical fields.

#### ***Preliminary Business Discussions with Microban International, Ltd.***

On March 24, 2009, the Company announced that its European subsidiary, Noveko Trading, and Microban International, Ltd., a leading manufacturer and distributor of antimicrobial solutions for consumer, industrial and medical products, had engaged in preliminary discussions about a business partnership. No formal agreement has been entered into thus far, but the parties had identified several opportunities where such collaboration could potentially be very attractive.

## **Developments Subsequent to Third Quarter**

### ***Significant Breakthrough in the Aeronautics Field***

On April 14, 2009, the Company announced it had signed, on behalf of some of its subsidiaries, an exclusive distribution agreement for filters incorporating Noveko's antimicrobial filtration technology with the French firm Aerosys Technologies. This agreement covers the marketing of the filters, worldwide, to aircraft manufacturers, aeronautics maintenance companies and air carriers and, in France, to the railway, auto manufacturing and defence industries, with certain exceptions. The agreement has an initial term of two years. A subsidiary of Groupe Aerosys, Aerosys Technologies is mainly specialized in filtration systems and hydromechanical and pneumatic equipment for the aeronautics and civilian and military ground transportation markets. The distribution agreement with Aerosys Technologies is a strategic partnership for the Company that will help stimulate the development and marketing of its filtration products in high-potential markets. This significant breakthrough in the aeronautics field is promising as Aerosys Technologies has already successfully carried out several of the prerequisite tests to market the filters incorporating Noveko's antimicrobial filtration technology in the aeronautics niche. Aerosys Technologies plans to present the new filters incorporating the Noveko™ technology at the Paris Le Bourget International Aeronautics and Space Trade Fair to be held from June 15 to June 21, 2009.

### ***Noveko Algérie Awarded Major Orders***

On April 27, 2009, the Company announced that its subsidiary Noveko Algérie, following a tendering process, had obtained significant new orders to supply various medical devices to the National Office of Equipment and Accessories for Handicapped People ("the NOEAHP") in Algeria. The orders are estimated at approximately \$1.4 million. The devices are scheduled to be delivered throughout the calendar year ending December 31, 2009. The NOEAHP, already a client of Noveko Algérie, is an establishment under the jurisdiction of the Algerian Ministry of Labour and Social Security.

### ***First Deliveries of Antimicrobial Face Masks to Mexico***

On April 30, 2009, the Company announced it had made a first delivery to Mexico of about one million 3xEZ and 4xEZU antimicrobial face masks, representing the quantity of such masks in stock at Noveko's Terrebonne warehouse. These masks are sold through Artimedica, S.A. de C.V., a major Mexican distributor serving the government, hospitals and other healthcare institutions in Mexico.

### ***Distribution Agreement with Garda Security Group***

On May 1, 2009, the Company announced it had concluded, together with its subsidiary Noveko, a distribution agreement with Garda Security Group, a subsidiary of Garda World Security Corporation ("Garda"), a leading provider of integrated physical security and cash logistics services. This agreement covers the distribution of Noveko™ antimicrobial face masks and Azuro™ antiseptic disinfectants to Garda's client base. Garda's clientele comprises many of the most prominent companies on the continent, which operate in various sectors such as financial, governmental, manufacturing, real estate and airports.

### ***Increase in Demand and Production of Antimicrobial Face Masks***

The threat of an Influenza A virus (H1N1) pandemic has recently led to a sharp increase in the demand for Noveko™ antimicrobial face masks and respirators. In such a context, the Company has won additional orders for some 7.5 million 3xEZ and 4xEZU antimicrobial surgical masks and 5dEZR and 9dEZR respirators. These face masks are scheduled to be delivered to different markets, notably North America, Europe and the Middle East, and will be spread over the current quarter and the next quarter, as they become available.

In addition, negotiations are underway with respect to several other orders that could represent additional sales of approximately 18 million antimicrobial face masks and respirators.

In order to meet this demand on an orderly basis and considering its limited inventories, the Company has taken the necessary steps to increase its production of face masks. First, the Company has started to assemble the inventories of the various face mask components it already had. Using these different components, the Company expects, at the current production rate, to be able to gradually produce some 7 million face masks in the coming months. However, the Company is in talks with various potential suppliers to increase the pace of assembling the materials used in the manufacture of its face masks. Secondly, the Company has also taken the necessary measures to begin producing approximately 20 million additional face masks. The Company plans to complete their production in upcoming quarters.

### ***Effectiveness of Noveko™ Antimicrobial Face Masks Against the A (H1N1) Flu Virus***

On May 12, 2009, the Company announced it had received the preliminary results of tests conducted by Microbiotest Lab, an independent laboratory located in Sterling, Virginia, USA, on the Noveko™ antimicrobial masks with respect to the Influenza A Virus (H1N1) similar to the one responsible for the human swine flu. The purpose of these tests was to evaluate the effectiveness of Noveko™ face mask materials in inactivating this virus on direct contact and to simulate the use of the face mask by a user. The preliminary results have demonstrated a bio-efficacy of a Log 3 Reduction over a period of 30 minutes, meaning an effectiveness of such masks in inactivating the Human Influenza A Virus (H1N1) at 99.9%.

### ***Initiatives for the Creation of a Chinese Subsidiary***

The Company has taken steps to establish its presence in the Chinese market through a subsidiary in order to accelerate its business development in China, one of its target markets.

## **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. Furthermore, it remains on the lookout for partnership opportunities to stimulate its product development, production and marketing, especially in the medical and environmental fields.

### ***Biomedical and Environmental Field***

The Company markets 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 short time ago, has recently 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 distribution partners such as Monitrol Inc., the exclusive distributor for the farm building market in North America, and Geosane SARL ("Geosane"), a distributor covering the French market.

In the second quarter, the Company won orders to equip 11 swine 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 first benefits of the agreement with Geosane, which committed in 2008 to purchase 8,000 Noveko™ antimicrobial air filters, while weaker than initially expected due to a slowdown in the French swine market, materialized in the third quarter of the current fiscal year. Consequently, based on the filter delivery schedule, the benefits for the Company will materialize primarily in the calendar year ending December 31, 2009.

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.

### *Air Filters for the Transportation Industry*

Noveko's antimicrobial filtration technology also positions the Company for new applications in various promising industrial segments. Negotiations are still underway to conclude a longer-term agreement for the supply of all the filters for all of Taiwan High Speed Rail Corporation's high-speed trains. Other railway companies have shown an interest in the antimicrobial filtration technology.

The signature of an exclusive distribution agreement with Aerosys Technologies – previously referred to in this Management's Report – also attests to potential new applications for the Company's antimicrobial filtration technology.

### *Air Filters in the Institutional, Commercial and Residential Markets*

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 recently proceeded with the first installations of air filters integrating Noveko's antimicrobial technology in commercial buildings in the Greater Montreal Area. Performance tests are currently in progress; if they prove conclusive, the various parties involved will have to agree on the terms and conditions of the agreements to supply these new filters on a wider scale.

### *Antimicrobial Face Masks*

Although the marketing of its antimicrobial face masks is still at its beginnings, the Company has nevertheless achieved several milestones toward their production and distribution on a wider scale. Moreover, the Company believes that the threat of a pandemic of the A (H1N1) virus responsible for swine flu in humans, which recently resulted in a significant increase in the demand for Noveko™ antimicrobial face masks, will also have an accelerator effect on their marketing over the longer term. The Company's preferred business model remains the outsourcing of the production and distribution of its antimicrobial face masks to leading partners in their market and benefiting from the royalties arising from the face mask sales. The Company, through its subsidiary Noveko, retains all the intellectual property rights to its antimicrobial technology at all times. Furthermore, in light of the current context (the reader is referred to the "Developments Subsequent to Third Quarter" section of this Management's Report) and to meet the increased demand for its face masks, the Company has taken measures to increase its production.

Subsequent to obtaining the ISO 13485 certification and CE Marking in 2008, the Company is continuing the various initiatives already undertaken to obtain the additional approvals required pursuant to national standards specific to certain countries for the import and sale of Noveko™ antimicrobial face masks.

In May 2007, Noveko began the 510(k) application process with the *US Food and Drug Administration* (the “FDA”). 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 against bacteria during short-term mask use and to establish an expiration date for appropriate labelling. At the beginning of April 2009, the Company filed with the FDA the documentation related to the results of the tests conducted demonstrating a “4 log reduction” bio-efficacy. The FDA submission assessment process is still underway. 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.

The Company is in discussion with potential partners to maximize its potential to produce and market its antimicrobial face masks on a global scale. The Company’s subsidiaries Noveko Taiwan, Noveko Algérie, Unitam and Magnum are also participating in the market development efforts.

#### *Azuro™ Disinfectants*

The activities related to the disinfectants marketed under the Azuro™ brand are now integrated with those of Noveko, and are consistent with the Company’s objective of developing its line of antimicrobial products. Azuro™ products continue to achieve breakthroughs in the promising hospital and institutional segments. At present, the Company is focusing on further penetrating these markets. It also intends to eventually build upon the distribution networks used for its antimicrobial face masks to distribute the Azuro™ products, especially in the medical field. The current context is also giving rise to greater demand for Azuro™ disinfectants, as notably attested to by the distribution agreement recently concluded with Garda; the reader is referred to the “Developments Subsequent to Third Quarter” section of this Management’s Report.

#### ***Medical Equipment***

Real-time portable ultrasound scanners for use in human and veterinary medicine, developed and marketed by its subsidiary ECM, represent 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, despite the fact that the current slowdown in the industry has caused a decline in its sales. ECM also benefits from an enviable competitive position in the bovine, ovine and caprine markets thanks notably to the exclusive distributors network. These distributors receive specific training about its products and after-sales service, thereby ensuring it of an excellent reputation and marketing on a global scale. In June 2008, ECM launched the Imagyne™ ultrasound scanner, a high-end, fully-digital, 64-channel device that is competitively-priced enabling it to penetrate the promising human medicine market, especially in obstetrics, gynecology and vascular medicine. Furthermore, in April 2009, ECM was granted Health Canada approval to sell the Imagyne™ ultrasound scanner in healthcare institutions across Canada. ECM is currently continuing to set up a network of distributors for the human medicine market. The response to the marketing initiatives in this market has been positive despite certain downward pressure on prices. The Imagyne™ ultrasound scanner 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 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. This scanner will first be intended for veterinarians, including the newly targeted 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 contribute to a larger proportion of its sales. The Company recently announced it had accepted an offer to purchase its subsidiary BLI; the reader is referred to the “Third-Quarter Highlights” section of this Management’s Report.

### 3. SELECTED CONSOLIDATED QUARTERLY INFORMATION

#### Three-Month and Nine-Month Periods Ended March 31, 2009 and 2008

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

	Three Months		Nine Months	
	2009 <sup>(1)</sup>	2008	2009 <sup>(1)</sup>	2008
Revenues	<b>3,934</b>	3,560	<b>13,779</b>	10,171
Gross margin	<b>1,844</b>	1,693	<b>5,565</b>	4,249
Loss before amortization, financial expenses and income taxes <sup>(2)</sup>	<b>(5,502)</b>	(3,664)	<b>(16,376)</b>	(8,397)
Net loss	<b>(5,708)</b>	(3,844)	<b>(19,188)</b>	(9,002)
Comprehensive loss	<b>(7,062)</b>	(2,999)	<b>(19,525)</b>	(8,092)
Loss per Class A share (basic and diluted)	<b>(0.09)</b>	(0.07)	<b>(0.29)</b>	(0.17)
Weighted average number of Class A shares outstanding (in thousands)	<b>66,999</b>	55,281	<b>66,472</b>	53,563

#### Balance Sheet Data

	March 31, 2009	June 30, 2008
Total assets	<b>63,213</b>	62,858
Shareholders' equity	<b>49,560</b>	49,773
Total interest-bearing debt <sup>(3)</sup>	<b>7,426</b>	7,860
Cash, cash equivalents, cash in trust and short-term investments	<b>8,345</b>	25,386

(1) The consolidated financial statements for the three and nine months ended March 31, 2009 include the financial statements of the Company and its wholly-owned subsidiaries Noveko, ECM, BLI, SyMa, Micron-Air, Magnum, Noveko Trading, Noveko Taiwan, Noveko Algérie, Unitam, Purer Life and U-Bond.

(2) Including stock-based compensation of \$3,031, \$2,470, \$9,309 and \$4,849 for the respective periods of 2009 and 2008.

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

#### 4. OPERATING RESULTS

##### Analysis of Consolidated and Segmented Operating Results for the Third Quarter and Nine-Month Periods Ended March 31, 2009 Compared with the Third Quarter and Nine-Month Period Ended March 31, 2008

###### *Consolidated and Segmented Revenues*

(in dollars)

	Quarters Ended March 31,		Nine Months Ended March 31,	
	2009	2008	2009	2008
Manufacturing and distribution of medical equipment (segment primarily comprising the subsidiaries ECM, Noveko Algérie, Noveko Taiwan and Noveko)	<b>1,952,579</b>	1,531,426	<b>6,003,958</b>	4,803,622
Processing and distribution of steel products (segment comprising the subsidiary BLI)	<b>1,175,141</b>	1,789,434	<b>4,840,429</b>	4,923,804
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko, Micron-Air, Purer Life, Magnum, SyMa, Unitam and U-Bond)	<b>656,084</b>	89,084	<b>2,785,060</b>	293,601
Other	<b>150,000</b>	150,000	<b>150,000</b>	150,000
Total	<b>3,933,804</b>	3,559,944	<b>13,779,447</b>	10,171,027

**For the third quarter, consolidated revenues** amounted to \$3.9 million, up by 10.5% over the corresponding quarter of the previous year. This increase is due primarily to the contribution of the new subsidiaries Noveko Algérie, Micron-Air, Magnum and Purer Life for the full quarter. It is to be noted that in the third quarter, the Company received royalties of \$150,000 related to the mining activities existing upon the 2004 reverse takeover, as was also the case in the third quarter of the previous year. **For the first nine months** of the current fiscal year, consolidated revenues amounted to \$13.8 million, up by \$3.6 million or 35.5% over the nine-month period ended March 31, 2008. This increase is primarily due to the aforementioned factors.

**For the third quarter and the first nine months of the current fiscal year, selling and administrative expenses** amounted to \$3.9 million and \$12.0 million respectively, up by 37.4% and 55.4% over the corresponding periods of the previous year. These increases were caused by the following main 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 \$3.0 million for **the third quarter** and \$9.3 million for **the first nine months of the current fiscal year**, compared with \$2.5 million and \$4.8 million respectively for the corresponding periods of the previous year. During the first nine months ended March 31, 2009, the Company granted stock options allowing the purchase of 2,825,000 Class A shares at a weighted average exercise price of \$2.79 per share with a vesting period extending over 12 to 30 months. These options were primarily granted in connection with the acquisitions completed since the beginning of the year.

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

(in dollars)

	Quarters Ended March 31,		Nine Months Ended March 31,	
	2009	2008	2009	2008
Manufacturing and distribution of medical equipment (segment primarily comprising the subsidiaries ECM, Noveko Algérie, Noveko Taiwan and Noveko)	<b>387,364</b>	(243,512)	<b>(124,117)</b>	(195,312)
Processing and distribution of steel products (segment comprising the subsidiary BLI)	<b>40,431</b>	261,594	<b>51,193</b>	530,372
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko, Micron-Air, Purer Life, Magnum, SyMa, Unitam and U-Bond)	<b>(3,079,750)</b>	(1,122,069)	<b>(7,059,976)</b>	(2,890,947)
Other (segment comprising Noveko International Inc. and Noveko Trading)	<b>(2,849,742)</b>	(2,560,467)	<b>(9,243,199)</b>	(5,840,864)
Total	<b>(5,501,697)</b>	(3,664,454)	<b>(16,376,099)</b>	(8,396,751)

Considering the aforementioned factors, **the loss before amortization, financial expenses and income taxes** amounted to \$5.5 million **for the third quarter**, up by \$1.8 million over the corresponding quarter of the previous year. **For the first nine months**, it totaled \$16.4 million, an increase of \$8.0 million over the corresponding period of the previous year.

**The manufacturing and distribution of medical equipment** posted EBITDA of \$0.4 million **for the third quarter**, representing a positive variation of \$0.6 million compared with the corresponding quarter of the previous year. Noveko Algérie and Noveko Taiwan generated EBITDA of \$0.5 million and \$0.3 million respectively for the quarter, excluding the stock-based compensation expense attributable thereto. However, the overall increase of \$0.1 million in stock-based compensation expense attributable to this business segment and the \$0.1 million decrease in the EBITDA of ECM, which is assuming the cost of its intensive efforts to penetrate the human medicine market with its new-generation ultrasound scanners, contributed to reduce the third-quarter EBITDA.

**For the first nine months**, the loss before amortization, financial expenses and income taxes from the manufacturing and distribution of medical equipment totaled \$0.1 million, compared with \$0.2 million for the first nine months of the previous year, of which \$0.3 million stemming from the increase in stock-based compensation expense attributable to this business segment, \$0.1 million from Noveko Taiwan and a \$0.5 million reduction in ECM's EBITDA for the aforementioned reasons; these negative differences were not offset by the EBITDA – excluding the stock-based compensation expense attributable thereto – of \$0.8 million posted by Noveko Algérie for the nine-month period.

**The processing and distribution of steel products** recorded EBITDA of \$40,431 **for the third quarter**, compared with approximately \$0.3 million for the corresponding quarter of the previous year; this difference is due primarily to a \$0.6 million reduction in revenues caused by the difficult economic conditions affecting the steel industry. **For the first nine months**, EBITDA totaled \$51,193, compared with \$0.5 million, reflecting the decrease in the gross margin stemming from the use of outsourcing and overtime, mainly in the first quarter, and the reduction in third-quarter revenues for the current fiscal year.

**Biomedical and environmental activities** posted a loss before amortization, financial expenses and income taxes of \$3.1 million **for the third quarter**, up by some \$2.0 million due primarily to the \$1.0 million increase in stock-based compensation expense broken down among this segment's subsidiaries and the increase of approximately \$1.0 million in Noveko's loss stemming from marketing of the derivative products from the antimicrobial filtration technology. **For the first nine months**, the loss before amortization, financial expenses and income taxes totaled \$7.1 million, up by approximately \$4.2 million over the corresponding period of the previous year. This difference was caused by a \$2.2 million increase in stock-based compensation expense and a \$2.0 million increase in the loss broken down primarily among the subsidiaries Noveko, Magnum and Unitam.

The loss before amortization, financial expenses and income taxes stemming from **Noveko International Inc.** and **Noveko Trading** amounted to \$2.8 million **for the third quarter**, up by \$0.2 million. This increase is due mainly to a \$0.2 million increase in stock-based compensation expense. **For the first nine months**, the loss before amortization, financial expenses and income taxes totaled \$9.2 million, up by \$3.4 million. This difference is due primarily to the increases of approximately \$1.0 million in stock-based compensation expense and \$2.4 million in expenses related to the strengthening of the team and professional fees.

**Amortization expenses** amounted to \$0.6 million **for the third quarter** and \$1.8 million **for the first nine months**, up by \$0.4 million and \$1.1 million respectively over the corresponding periods of the previous year. These differences are due primarily to the acquisitions completed since the beginning of the year.

**Financial expenses** represented a negative amount of \$0.2 million, reflecting a loss on currency contracts of \$0.5 million offset by foreign exchange gains of \$0.7 million in the third quarter. **For the first nine months**, financial expenses totaled \$1.2 million, reflecting a loss on currency contracts of \$2.2 million offset by foreign exchange gains of \$1.0 million.

**Net Earnings (Loss)**

(in dollars)

	Quarters		Nine Months	
	Ended March 31, 2009	2008	Ended March 31, 2009	2008
Manufacturing and distribution of medical equipment (segment primarily comprising the subsidiaries ECM, Noveko Algérie, Noveko Taiwan and Noveko)	92,125	(243,583)	(662,604)	(322,117)
Processing and distribution of steel products (segment comprising the subsidiary BLI)	(131,024)	21,290	(590,785)	(84,884)
Development of biomedical and environmental activities (segment comprising the subsidiaries Noveko, Micron-Air, Purer Life, Magnum, SyMa, Unitam and U-Bond)	(3,935,971)	(1,117,270)	(8,132,923)	(2,928,907)
Other (segment comprising Noveko International Inc. and Noveko Trading)	(1,733,065)	(2,504,496)	(9,802,055)	(5,665,631)
Total	(5,707,935)	(3,844,059)	(19,188,367)	(9,001,539)

The net loss amounted to \$5.7 million for the third quarter, up by \$1.9 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 \$0.9 million in the third quarter of the previous year – a net loss of \$7.1 million represented the comprehensive loss for the third quarter, compared with \$3.0 million for the corresponding quarter of the previous year. For the first nine months, the net loss amounted to \$19.2 million, up by \$10.2 million over the first nine months of the previous year. Considering a net change in unrealized gains on conversion of financial statements of self-sustaining foreign operations of \$0.3 million, a net loss of \$19.5 million represented the comprehensive loss for the first nine months of the current fiscal year.

The loss per Class A share (basic and diluted) amounted to \$0.09 on a weighted average of 66,998,694 outstanding shares for the third quarter, compared with a loss per share of \$0.07 on a weighted average of 55,281,253 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 accompanying the financial statements on the Company's capital stock. For the first nine months, the loss per share (basic and diluted) increased to \$0.29 from \$0.17 per share for the first nine months of the previous year.

**Principal Quarterly Financial Information (Unaudited)**

(in thousands of \$, except per-share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Fiscal 2009</b>				
Revenues	4,277	5,569	<b>3,934</b>	
Net loss	(6,539)	(6,941)	<b>(5,708)</b>	
Comprehensive loss	(6,957)	(5,506)	<b>(7,062)</b>	
Loss per Class A share (basic and diluted)	(0.10)	(0.10)	<b>(0.09)</b>	
<b>Fiscal 2008</b>				
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)
<b>Fiscal 2007</b>				
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 Third Quarter and Nine-Month Period Ended March 31, 2009**

(in dollars)

	Quarters Ended March 31,		Nine Months Ended March 31,	
	2009	2008	2009	2008
<b>Operating activities</b>				
Net loss	<b>(5,707,935)</b>	(3,844,059)	<b>(19,188,367)</b>	(9,001,539)
Adjustments for future taxes, accreted interest on debentures, stock-based compensation, amortization, foreign exchange loss (gain), unrealized loss (gain) on currency contracts and loss (gain) on fair value of short-term investments	<b>4,158,125</b>	2,836,670	<b>11,224,011</b>	5,830,597
Net change in non-cash working capital	<b>(967,567)</b>	(1,286,977)	<b>(5,848,946)</b>	(3,464,063)
Total	<b>(2,517,377)</b>	(2,294,366)	<b>(13,813,302)</b>	(6,635,005)
Financing activities	<b>(116,345)</b>	3,298,693	<b>3,073,416</b>	6,400,677
Investing activities	<b>2,792,957</b>	(1,280,976)	<b>(609,846)</b>	(2,341,497)
<b>Foreign exchange loss (gain) on cash in foreign currencies</b>	<b>(7,603)</b>	89,219	<b>46,498</b>	89,941
Increase (decrease) in cash and cash equivalents	<b>151,632</b>	(187,430)	<b>(11,303,234)</b>	(2,485,884)
Cash and cash equivalents, end of period	<b>291,101</b>	182,610	<b>291,101</b>	182,610

**Operating activities**, before net change in non-cash working capital, used cash flows of \$1.5 million in the **third quarter**, compared with a cash outflow of \$1.0 million for the corresponding quarter of the previous year. This change is due primarily to the increase in the net loss, less the adjustments for stock-based compensation, amortization, accreted interest on secured convertible debentures and unrealized loss on currency contracts. Net change in non-cash working capital represented a cash outflow of \$1.0 million, compared with a cash outflow of \$1.3 million for the third quarter of the previous year. This variation stems mainly from the increase in accounts receivable and inventories. **For the first nine months**, operating activities, before net change in non-cash working capital, used cash flows of \$8.0 million, compared with a cash outflow of \$3.2 million for the first nine months of the previous year. This change is due primarily to the increase in the net loss, less the adjustments for stock-based compensation, amortization and accreted interest on secured convertible debentures. Net change in non-cash working capital represented a cash outflow of \$5.8 million, compared with a cash outflow of \$3.5 million for the first nine months of the previous year, this variation being due to the increase in accounts receivable and inventories.

**Financing activities** used cash flows of \$0.1 million in the **third quarter**, whereas they provided cash flows of \$3.3 million in the corresponding quarter of the previous year. The Company repaid debt and bank advances and paid interest on convertible debentures for an amount of more than \$0.3 million and the exercise of stock options provided cash flows of \$30,000, whereas in the third quarter of the previous year, warrants and stock options had been exercised for \$2.7 million. **For the first nine months**, financing activities provided cash flows of \$3.1 million, compared with \$6.4 million for the first nine months of the previous year. It is to be noted that during the first quarter ended September 30, 2008, the Company had issued 1,100,000 Class A shares that were subscribed by the previous owner of U-Bond (pursuant to the Company's acquisition of U-Bond on August 1, 2008). This issue represented an amount of approximately \$3.4 million. In addition, warrants and stock options were exercised for an amount of \$0.6 million. Net changes in bank advances and bank loans represented a cash outflow of \$0.4 million, which amount was used primarily to repay bank loans. During the first nine months, long-term debt increased by \$0.2 million and the Company made a principal repayment on long-term debt of \$0.6 million.

**Investing activities** provided cash flows of \$2.8 million in the **third quarter**, whereas they used cash flows of \$1.3 million in the corresponding quarter of the previous year. This change is due primarily to the fact that the Company disposed of short-term investments of \$4.4 million and acquired short-term investments of \$1.3 million, representing actual proceeds of \$3.1 million, compared with an outflow of \$0.8 million for the corresponding period of the previous year. **For the first nine months**, investing activities used cash flows of \$0.6 million, compared with a cash outflow of \$2.3 million for the first nine months 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 \$0.7 million, to which was added an amount of \$0.3 million for the acquisition of intangible assets and capitalized development costs of approximately \$0.3 million. The Company also disposed of short-term investments of \$62.2 million and acquired short-term investments of \$55.6 million, representing actual proceeds of \$6.6 million for the first nine months ended March 31, 2009.

**During the first nine months of the current fiscal year**, aggregate cash inflows and outflows used **net cash flows** of \$11.3 million, compared with \$2.5 million in the corresponding period of the previous year. As at March 31, 2009, **cash and cash equivalents** totaled \$0.3 million, compared with \$0.2 million a year earlier.

## **Balance Sheet Analysis as at March 31, 2009**

### **Summary Balance Sheet**

(in dollars)

	<b>As at March 31, 2009</b>	As at June 30, 2008
Current assets	<b>23,332,762</b>	37,166,199
Long-term assets	<b>39,880,534</b>	25,692,091
Total	<b>63,213,296</b>	62,858,290
Current liabilities	<b>5,982,183</b>	6,628,943
Long-term liabilities	<b>7,671,597</b>	6,456,200
Shareholders' equity	<b>49,559,516</b>	49,773,147
Total	<b>63,213,296</b>	62,858,290

The changes in the Company's financial position between June 30, 2008 and March 31, 2009 notably reflect the period's results and the acquisition of Noveko Algérie, Micron-Air, Unitam, Purer Life and U-Bond.

These transactions explain the increases of \$1.5 million in fixed assets, of \$7.9 million in intangible assets and of \$5.4 million in goodwill over June 30, 2008, as detailed in note 4 accompanying the Company's financial statements.

As at March 31, 2009, **total assets** amounted to \$63.2 million, up by \$0.4 million over June 30, 2008. **Working capital** stood at \$17.4 million for a current ratio of 3.9:1, compared with \$30.5 million and a 5.6:1 ratio as at June 30, 2008.

**Shareholders' equity** totaled \$49.6 million, compared with \$49.8 million as at June 30, 2008, primarily reflecting the \$10.6 million increase in capital stock subsequent to the Class A share issues during the first nine months of the current fiscal and the \$9.0 million increase in contributed surplus reflecting the stock-based compensation expense, less the \$19.2 million increase in the deficit.

### **Indebtedness**

(in dollars)

	<b>As at March 31, 2009</b>	As at June 30, 2008
Bank advances and bank loans	<b>1,297,540</b>	1,674,100
Current portion of long-term debt	<b>933,819</b>	636,116
Long-term debt	<b>3,431,138</b>	3,086,827
Secured convertible debentures	<b>1,763,990</b>	2,462,909
Total debt	<b>7,426,487</b>	7,859,952

**Total interest-bearing debt** (consisting of bank advances and bank loans, current portion of long-term debt, long-term debt and secured convertible debentures) amounted to \$7.4 million as at March 31, 2009, compared with \$7.9 million as at June 30, 2008. This \$0.5 million reduction 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 \$1.0 million into 800,000 Class A shares during the period and the decrease in bank advances and bank loans of approximately \$0.4 million, whereas long-term debt including the current portion increased by more than \$0.6 million subsequent to the acquisitions closed in the first quarter.

### **Capital Stock Information**

**During the first nine months of the current fiscal year**, the Company issued 3.9 million Class A shares for a total of \$10.6 million, 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.

In addition, the Company issued 202,500 Class A shares subsequent to the exercise of warrants for a cash consideration of \$236,575 and a transfer of \$85,983 from warrants. It also issued 460,000 Class A shares subsequent to the exercise of stock options for a cash consideration of \$378,000 and a transfer of \$262,000 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 67,007,027 Class A shares as at March 31, 2009, compared with 63,087,727 Class A shares as at June 30, 2008.

### **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 BLI, specialized in the custom processing and distribution of steel products. The price offered for the sale of those shares is \$1.8 million 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 debt to the Company, which amounted to \$1.9 million as of March 3, 2009. 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 is 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 CICA Handbook Section 3475 shall be applied once the uncertainty is resolved. The sale fits with the Company's corporate mission of developing its biomedical, environmental and medical equipment activities.

## **Contractual Commitments**

As at March 31, 2009, the balance of contractual commitments under the terms of operating leases for premises maturing in 2016 amounted to \$1.8 million. Minimum lease payments over each of the next five years are as follows:

2010: \$606,532	2012: \$266,260	2014: \$159,538
2011: \$396,576	2013: \$264,670	

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 nine months of the current fiscal year, the Company paid interest in the amount of \$- (\$829 for the comparable period of the previous year) 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 also use these sources of funds. As it grows, it will be able to take advantage of debt financing that will have a less dilutive effect on shareholders' equity. In this regard, the Company has a credit facility of \$2.0 million that was unused as at March 31, 2009. 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 that was fully used as at March 31, 2009. 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 \$1,297,540 was used as at March 31, 2009. This credit, bearing interest at the prime rate of the financial institution plus 1.0%, 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 that was unused as at March 31, 2009. This credit, bearing interest at the prime rate of the financial institution plus 0.6%, is secured by a certificate of deposit held by the Company and is renewable on an annual basis. Unitam has an operating credit facility of \$15,000 that was unused as at March 31, 2009. This credit, bearing interest at the prime rate of the financial institution plus 3.0%, is secured by accounts receivable and the personal guarantee of a director. Micron-Air has a credit facility of \$250,000, of which \$183,523 was used as at March 31, 2009. 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 relating to the establishment and maintenance of: (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) that there was no 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 its 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 its receipts and expenditures are being made only in accordance with authorization of its management; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of its assets that could have a material effect on the financial statements.

The Company 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 March 31, 2009. 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 filed or submitted 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 March 31, 2009, 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 and its subsidiaries have few employees in their finance departments, 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 continues to strengthen 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, the Company's disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that its objectives of the 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 nine-month periods ended March 31, 2009 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 the Company's 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 March 31, 2009 for Noveko Algérie and Purer Life, respectively acquired July 17 and August 1, 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 its 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	903,144	1,362,096
Net earnings (loss)	179,577	(505,245)
Current assets	795,515	1,893,725
Long-term assets	123,874	167,274
Current liabilities	161,242	1,399,595
Long-term liabilities	-	783,218

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

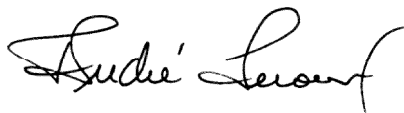
In January 2009, the CICA issued Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests".

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 to interim and annual financial statements relating to fiscal years beginning on or after January 1<sup>st</sup>, 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

May 14, 2009