

Consolidated interim financial statements of

NOVEKO INTERNATIONAL INC.

Three-month periods ended September 30, 2009 and 2008

NOVEKO INTERNATIONAL INC.

Consolidated interim financial statements

Three-month periods ended September 30, 2009 and 2008

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NOVEKO INTERNATIONAL INC.

Consolidated balance sheets

As at September 30, 2009 and June 30, 2009

	September 30 2009 (unaudited)	June 30 2009 (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,001,501	\$ 937,319
Deposit in trust	66,920	70,900
Short-term investments	1,146,600	3,702,958
Accounts receivable	4,983,817	3,845,527
Inventories	8,051,979	7,288,071
Prepaid expenses	468,784	734,777
Current portion of assets held for sale (note 4)	1,717,686	1,998,371
	17,437,287	18,577,923
Fixed assets	3,919,711	4,124,110
Intangible assets	9,605,528	10,041,542
Other assets	1,206,387	1,198,345
Future income taxes	46,763	82,691
Goodwill (note 7)	12,772,964	13,035,189
Non-current portion of assets held for sale (note 4)	3,714,625	3,836,738
	\$ 48,703,265	\$ 50,896,538
Liabilities and shareholders' equity		
Current liabilities:		
Bank loans	156,860	162,970
Accounts payable and accrued liabilities	3,759,292	2,552,279
Current portion of secured convertible debentures	488,475	964,710
Current portion of long-term debt	602,539	754,584
Current portion of liabilities held for sales (note 4)	2,152,205	2,126,397
	7,159,371	6,560,940
Long-term debt	1,418,790	1,455,182
Secured convertible debentures	419,850	825,117
Future income taxes	1,504,870	1,644,474
Non-current portion of liabilities held for sales (note 4)	1,902,746	1,924,217
	36,297,638	38,486,608
Shareholders' equity:		
Capital stock (note 8)	81,981,990	80,768,629
Portion of secured convertible debentures included in equity	186,242	372,473
Contributed surplus	19,918,849	18,718,376
Accumulated other comprehensive loss (note 10)	(444,169)	(166,928)
Deficit	(65,345,274)	(61,205,942)
	36,297,638	38,486,608
Subsequent events (note 14)		
	\$ 48,703,265	\$ 50,896,538

See accompanying notes to consolidated financial statements.

ON BEHALF OF THE BOARD,

(signed) *André Leroux*, Director

(signed) *Moïse Moghrabi*, Director

NOVEKO INTERNATIONAL INC.

Consolidated statements of operations

Three-month periods ended September 30, 2009 and 2008
(unaudited)

	September 30 2009	September 30 2008
Revenues	\$ 4,496,146	\$ 2,272,049
Cost of sales	2,293,210	1,076,259
	2,202,936	1,195,790
Operating expenses:		
Administrative and selling expenses	3,773,385	3,638,400
Stock-based compensation	1,251,305	3,056,823
Research and development	243,070	324,713
Research and development tax credits	(108,577)	(20,000)
	5,159,183	6,999,936
Loss before amortization, financial fees, income taxes and discontinued operations	(2,956,247)	(5,804,146)
Amortization (note 5)	562,873	319,669
Financial expenses less investment revenues (note 5)	320,783	296,726
	883,656	616,395
Loss before income taxes	(3,839,903)	(6,420,541)
Income taxes:		
Current (recovered)	52,930	(122,742)
Future	(81,944)	(17,292)
	(29,014)	(140,034)
Net loss from continuing operations	(3,810,889)	(6,280,507)
Net loss from discontinued operations (note 4)	(328,443)	(258,623)
Net loss	\$ (4,139,332)	\$ (6,539,130)
Basic and diluted loss per share:		
From continuing operations	\$ (0.06)	\$ (0.10)
From discontinued operations	\$ (0.00)	\$ (0.00)
Net loss	\$ (0.06)	\$ (0.10)
Weighted average number of outstanding shares, basic and diluted	67,276,665	65,542,241

See accompanying notes to consolidated financial statements.

NOVEKO INTERNATIONAL INC.

Consolidated statements of comprehensive loss

Three-month periods ended September 30, 2009 and 2008
(unaudited)

	September 30 2009	September 30 2008
Net loss	\$ (4,139,332)	\$ (6,539,130)
Other comprehensive income, net of income taxes:		
Change in unrealized losses on translation of financial statements of self-sustaining foreign operations	(277,241)	(417,812)
Comprehensive loss	\$ (4,416,573)	\$ (6,956,942)

See accompanying notes to consolidated financial statements.

NOVEKO INTERNATIONAL INC.

Consolidated statements of deficit and contributed surplus

Three-month periods ended September 30, 2009 and 2008
(unaudited)

	September 30 2009	September 30 2008
DEFICIT		
Deficit, beginning of period	\$ (61,205,942)	\$ (29,323,571)
Restatement related to the adoption of new accounting policies (note 2)	-	49,243
Restated balance	(61,205,942)	(29,274,328)
Net loss	(4,139,332)	(6,539,130)
Share issuance fees	-	(56,000)
Deficit, end of period	\$ (65,345,274)	\$ (35,869,458)
CONTRIBUTED SURPLUS		
Contributed surplus, beginning of period	\$ 18,718,376	\$ 7,967,778
Fair value of stock options granted	1,251,305	3,070,823
Fair value of stock options exercised	(50,832)	-
Contributed surplus, end of period	\$ 19,918,849	\$ 11,038,601

See accompanying notes to consolidated financial statements.

NOVEKO INTERNATIONAL INC.

Consolidated statements of cash flows

Three-month periods ended September 30, 2009 and 2008
(unaudited)

	September 30 2009	September 30 2008
Cash flows from operating activities:		
Net loss	\$ (4,139,332)	\$ (6,539,130)
Adjustments for:		
Loss from discontinued operations	328,443	258,623
Future income taxes	(81,944)	(17,292)
Accreted interest on secured convertible debentures	55,421	73,589
Stock-based compensation	1,251,305	3,056,823
Gain on disposal of fixed assets	7,283	-
Amortization	562,873	319,669
Loss on fair value of short-term investments	11,676	75,350
Foreign exchange gain	(854)	(3,278)
	(2,005,129)	(2,775,646)
Net change in non-cash working capital	(254,810)	(503,301)
	(2,259,939)	(3,278,947)
Cash flows from financing activities:		
Net changes in bank loan	-	(87,559)
Increase in long-term debt	30,000	-
Repayment of long-term debt	(178,646)	(101,071)
Interest paid on secured convertible debentures	(33,123)	(46,416)
Proceeds from Class A shares and warrants issued	72,498	3,591,575
Class A shares issue expenses	-	(12,800)
	(109,271)	3,343,729
Cash flows from investing activities:		
Business acquisitions	-	(5,797,951)
Acquisition of short-term investments	(90,000)	(24,716,367)
Proceeds from disposal of short-term investments	2,634,425	20,228,803
Acquisition of fixed assets	(50,241)	(274,150)
Proceeds from disposal of fixed assets	12,166	-
Acquisition of intangible assets	(37,778)	(106,860)
Acquisition of other assets	4,615	-
Deposit in trust	3,980	6,765
Deferred development costs, net of related research tax credits received	(83,866)	(84,546)
	2,393,301	(10,744,306)
Cash generated (used) by continuing operations	24,091	(10,679,524)
Cash generated (used) by discontinued operations	90,486	(272,494)
	114,577	(10,952,018)
Foreign exchange loss on cash in foreign currencies	(50,395)	(25,324)
Increase (decrease) in cash and cash equivalents	64,182	(10,977,342)
Cash and cash equivalents, beginning of period	937,319	11,594,335
Cash and cash equivalents, end of period	\$ 1,001,501	\$ 616,993

Cash flows related to continuing operating activities include interest paid of \$72,111 (\$60,089 as at September 30, 2008) and income taxes received for \$265,902 (\$33,807 as at September 30, 2008).

For non-cash activities, see note 6.

See accompanying notes to consolidated financial statements.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

September 30, 2009

(unaudited)

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

- Noveko™ **antimicrobial surgical masks and respirators** derived from its patented antimicrobial air filtration technology targeted to the healthcare sector, institutions and general public ("masks");
- Air **filtration products** including Noveko™ antimicrobial filters derived from its patented antimicrobial air filtration technology targeted to the agricultural market, the transportation industry, the institutional market, and commercial and residential buildings, as well as EPURAIR™ air quality systems ("filtration");
- **Sanitizers** with antimicrobial properties, geared to the same markets as the antimicrobial masks ("sanitizers");
- **Medical equipment**, primarily real-time ultrasound scanners for use in human and veterinary medicine, along with medical equipment import and distribution activities ("medical equipments");
- **Other activities**, essentially management marketing services offered to pharmaceutical, over-the-counter drug and medical device manufacturers and distributors, and, additionally, the activities of the parent company, Noveko International Inc., and of Noveko Trading 2008, LLC ("other").

1. Financial statements disclosure:

The unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP"). 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, 2009. 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:

a) For the period ended September 30, 2009:

Effective July 1st, 2009, The Company adopted new accounting recommendations from the Canadian Institute of Chartered Accountants (CICA), Handbook 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 recommendation, which replace Section 3062, had no impact on the Company's financial statements.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

September 30, 2009
(unaudited)

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

b) For the year ended June 30, 2009:

Effective July 1st, 2008, the Company adopted new accounting recommendations from the CICA, Handbook Section 1400 "General standards of financial statement presentation", Section 1535 "Capital Disclosures", Section 3031 "Inventories", Section 3862 "Financial Instruments – Disclosure", and Section 3863 "Financial Instruments – Presentation".

Section 1400, "General standards of financial statement presentation", was amended to require management, when preparing financial statements, to make an assessment of an entity's ability to continue as a going concern. Any material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern must be disclosed. Management does not believe that there are any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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 10).

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

- \$49,243 increase in inventories
- \$49,243 decrease of the deficit

Section 3862 and Section 3863 replace Section 3861, "Financial Instruments – Disclosure and Presentation". These new recommendations relate only to disclosure requirements and have no impact on the Company's financial statements (see note 11).

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

September 30, 2009

(unaudited)

3. Future changes in accounting policies:

- a) 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") over a transitional period to be completed by 2011. The Company will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will convert to these new standards according to the timetable set with these rules and will closely monitor changes arising from this convergence.
- b) In January 2009, the CICA issued Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests".

Section 1582 will converge 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 converge with the requirements of International Accounting Standards ("IAS") 27, "Consolidated and Separate Financial Statements", for non-controlling interests.

Section 1582 applies to transactions 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.

These new standards will become effective to interim and annual financial statements relating to fiscal years beginning on or after January 1, 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

September 30, 2009
(unaudited)

4. Discontinued operations and assets held for sale:

During the year ended June 30, 2009, the Company committed to a plan to pursue the sale of its subsidiary Bolduc Leroux Inc. and discontinued this segment of business since BLI's activities no longer fit with the Company's commercial objectives. Consequently, the operating results, cash flows, assets and liabilities of this segment have been reclassified and presented distinctly and comparative figures of the three-month period ended September 30, 2008 were adjusted accordingly. The Company recorded a loss of \$935,395 on the prospective sale of this subsidiary at June 30, 2009.

The following tables summarize the additional financial information related to the discontinued operations as at September 30, 2009 and September 30, 2008:

Condensed statement of operations:

	September 30 2009		September 30 2008
Revenues	\$ 868,027	\$	2,005,047
Costs of sales	840,663		1,752,493
	27,364		252,554
Operating costs	150,844		371,083
Amortization	125,883		139,322
Financial fees	79,080		61,186
Income taxes	-		(60,414)
	355,807		511,177
Loss from discontinued operations	\$ (328,443)	\$	(258,623)

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

September 30, 2009
(unaudited)

4. Discontinued operations and assets held for sale (cont'd):

Condensed balance sheet:

	September 30 2009	June 30 2009
Assets held for sale:		
Accounts receivable	\$ 575,510	\$ 643,942
Inventories	1,096,545	1,291,587
Prepaid expenses	45,631	62,842
Current assets held for sale	1,717,686	1,998,371
Fixed assets	3,380,496	3,479,234
Intangible assets	334,129	357,504
Non-current assets held for sale	\$ 3,714,625	\$ 3,836,738
Liabilities held for sale:		
Bank advances	\$ 1,250,698	\$ 1,341,471
Accounts payable and accrued liabilities	677,219	559,780
Current portion of long-term debt	224,288	225,146
Current liabilities held for sale	2,152,205	2,126,397
Long-term debt	1,902,746	1,924,217
Non-current liabilities held for sale	\$ 1,902,746	\$ 1,924,217
Net assets held for sale	\$ 1,377,360	\$ 1,784,495

Condensed cash flows:

	September 30 2009	September 30 2008
Cash flows from operating activities	\$ 203,588	\$ (483,934)
Cash flows from financing activities	(113,102)	220,195
Cash flows from investing activities	-	(8,755)
	\$ 90,486	\$ (272,494)

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

September 30, 2009
(unaudited)

5. Information on operations:

	September 30 2009		September 30 2008
a) Amortization:			
Amortization of fixed assets	\$ 127,776	\$	93,812
Amortization of intangible assets	363,925		159,591
Amortization of deferred development costs	70,881		66,046
Amortization of deferred costs	291		220
	\$ 562,873	\$	319,669
b) Financial expenses:			
Interest on long-term debt	\$ 25,076	\$	34,533
Accreted interests on secured convertible debentures	55,421		73,589
Interest on bank loan and bank charges	26,262		15,311
Foreign exchange loss	234,773		182,824
Loss on fair value of short-term investments	-		75,350
Loss on currency contracts	-		76,663
Investment revenues	(20,749)		(161,544)
	\$ 320,783	\$	296,726

6. Non-cash activities:

	September 30 2009		September 30 2008
Conversion of convertible debentures into Class A shares	\$ 1,090,031	\$	1,014,017
Issuance of 1,356,800 Class A shares in partial consideration of business acquisitions	\$ -	\$	5,265,100
Issuance of 16,800 Class A shares in consideration of fees paid for the acquisition of SARL Noveko Algérie	\$ -	\$	64,680
Acquisition of fixed assets in consideration of an obligation under capital leases	\$ -	\$	129,040

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

September 30, 2009
(unaudited)

7. Goodwill:

							September 30, 2009
	Masks	Filtration	Sanitizers	Medical equipment	Others	Total	
Balance, beginning of period	\$ -	\$ 2,635,207	\$ 5,196,559	\$ 2,454,551	\$ 2,748,872	\$ 13,035,189	
Business acquisitions	-	-	-	-	-	-	
Goodwill impairment charges	-	-	-	-	-	-	
Foreign currency translation adjustments	-	(41,252)	-	(220,973)	-	(262,225)	
Balance, end of period	\$ -	\$ 2,593,955	\$ 5,196,559	\$ 2,233,578	\$ 2,748,872	\$ 12,772,964	

							June 30, 2009
	Masks	Filtration	Sanitizers	Medical equipment	Others	Total	
Balance, beginning of period	\$ -	\$ -	\$ 5,196,559	\$ 5,762,809	\$ 2,748,872	\$ 13,708,240	
Business acquisitions	-	2,733,648	-	260,957	-	2,994,605	
Goodwill impairment charges	-	-	-	(3,600,000)	-	(3,600,000)	
Foreign currency translation adjustments	-	(98,441)	-	30,785	-	(67,656)	
Balance, end of period	\$ -	\$ 2,635,207	\$ 5,196,559	\$ 2,454,551	\$ 2,748,872	\$ 13,035,189	

When the Company initiated its step-one analysis as at June 30, 2009, it was determined that a step-two analysis of goodwill for a business unit included in the medical equipment segment would be required. With the assistance of an independent valuator, the Company is in the process of completing this comprehensive assessment including a detailed calculation of the estimated fair values of recorded and unrecorded intangible assets.

Based on a preliminary assessment of the estimated fair value of the net asset of the business unit under review, management believed that as at June 30, 2009, the fair value of goodwill in the medical equipment segment amounts to \$2,454,551. Accordingly, as required by CICA Handbook Section 3062, in anticipation of completing the comprehensive step-two analysis of goodwill, the Company has recorded a goodwill impairment charge of \$3,600,000 in its financial statements at June 30, 2009.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

September 30, 2009
(unaudited)

7. Goodwill (cont'd):

The final impairment calculation is expected to be completed in fiscal year 2010 and the resulting final adjustments, if any, would result in a non-cash adjustment to the consolidated statement of operations.

8. Capital stock:

a) Authorized:

On September 30, 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 and C 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 shares, redeemable at the option of the Company at an amount equal to the consideration received at issuance, without par value;

b) Issued:

	As at September 30 2009	As at June 30 2009
67,965,534 Class A shares (67,058,693 as at June 30, 2009)	\$ 81,981,990	\$ 80,768,629

c) Transactions during the period ended September 2009:

- i) Issuance of 83,331 Class A shares following the exercise of 83,331 stock options for a cash consideration of \$72,498 and a transfer of \$50,832 from contributed surplus.
- ii) Issuance of 823,510 Class A shares following the exercise of conversion right of \$993,708 of convertible debentures. Amounts of \$903,800 and of \$186,231 were respectively transferred from secured convertible debentures and from the equity component of secured convertible debentures included in equity.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

September 30, 2009
(unaudited)

8. Capital stock (cont'd):

- d) Transactions during the year ended June 30, 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 50% of the outstanding shares of Groupe Conseils Micron-Air Inc. and of 100% of all outstanding shares of 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 respectively transferred from secured convertible debentures and from the equity component of secured convertible debentures included in equity.
 - vii) Issuance of 1,100,000 Class A shares for a cash consideration of \$3,355,000.
 - viii) Issuance of 511,666 Class A shares following the exercise of 511,666 stock options for a cash consideration of \$427,582 and a transfer of \$300,311 from contributed surplus.

9. Stock option plan:

The Company instituted 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 except, under the 2008 stock option plan, if less than 100,000 Class A shares were traded on that date, in which case, the exercise price is equal to the weighted average closing trading price over a period of five business days in which Class A shares have been traded preceding the date of the grant. The term of the stock options is five years and the vesting period is extending from 12 to 30 months, as the case may be.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

September 30, 2009
(unaudited)

9. Stock option plan (cont'd):

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

	September 30 2009		June 30 2009	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of period	7,791,597	\$ 3.47	5,981,595	\$ 3.77
Granted	275,000	2.60	2,950,000	2.76
Exercised	(83,331)	0.87	(511,666)	0.84
Expired	(400,000)	6.80	(628,332)	5.21
Balance, end of period	7,583,266	\$ 3.29	7,791,597	\$ 3.47
Options that can be exercised at year-end	5,882,933	\$ 3.49	5,859,930	\$ 3.70
Weighted average fair value of options granted during the period		\$ 1.69		\$ 2.05

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

September 30, 2009
(unaudited)

9. Stock option plan (cont'd):

The following table summarizes the information on the outstanding stock options as at September 30, 2009:

Outstanding options			Exercisable options	
Exercise price	Number	Weighted average outstanding maturity period	Number	
\$ 0.87	1,542,998	2.25	1,542,998	
\$ 1.31	275,268	2.50	275,268	
\$ 2.75	450,000	2.67	450,000	
\$ 6.80	1,500,000	3.08	1,500,000	
\$ 6.25	100,000	3.42	100,000	
\$ 4.85	350,000	3.75	291,667	
\$ 3.95	200,000	3.75	166,667	
\$ 3.98	200,000	3.83	133,333	
\$ 3.82	200,000	3.83	133,333	
\$ 3.85	200,000	3.83	133,333	
\$ 3.52	300,000	3.83	200,000	
\$ 3.05	200,000	3.92	133,333	
\$ 2.49	250,000	3.92	166,667	
\$ 3.98	400,000	4.00	233,333	
\$ 1.80	210,000	4.08	105,000	
\$ 2.05	400,000	4.08	200,000	
\$ 1.18	50,000	4.17	25,000	
\$ 0.60	240,000	4.25	63,334	
\$ 0.87	115,000	4.42	29,667	
\$ 2.06	125,000	4.58	-	
\$ 2.14	75,000	4.83	-	
\$ 2.77	200,000	4.92	-	
	7,583,266	3.34	5,882,933	

a) Transactions during the period ended September 30, 2009:

The Company granted 275,000 stock options allowing the acquisition of 275,000 Class A shares at a weighted average exercise price of \$2.60 with a vesting period extending over from 12 to 30 months.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

September 30, 2009
(unaudited)

9. Stock option plan (cont'd):

b) Transactions during the year ended June 30, 2009:

The Company granted 2,950,000 stock options allowing the acquisition of 2,950,000 Class A shares at a weighted average exercise price of \$2.76 with a vesting period extending over from 12 to 30 months.

c) Compensation costs:

Compensation costs related to the stock option plans amount to \$1,251,305 for the period ended September 30, 2009 (\$3,070,823 for the period ended September 30, 2008).

d) Fair value of the options:

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

	September 30 2009	June 30 2009
Weighted average expected dividend rate	Nil	Nil
Weighted average expected volatility	101%	97%
Weighted average risk-free interest rate	2.58%	2.93%
Weighted average expected life of options	60 months	60 months

10. Accumulated other comprehensive income:

The changes that occurred during the period were as follows:

	September 30 2009	September 30, 2008
Balance, beginning of period	\$ (166,928)	\$ 347,359
Unrealized loss on translation of financial statements of self-sustaining foreign operations	(277,241)	(417,812)
Balance, end of period	\$ (444,169)	\$ (70,453)

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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 adjusts 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 issue new shares or new borrowing securities, 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.

The capital structure of the Company is composed of shareholders' equity, bank loan, long-term debt, convertible debentures, 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, except for bank advances of Epurair Inc.

12. Financial instruments:

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

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

a) Interest rate risk:

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

As at September 30, 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 period ended September 30, 2009 and the year ended June 30, 2009.

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12. Financial instruments (cont'd):

a) Interest rate risk (cont'd):

The Company has long-term debts with variable interest rates. These financial instruments represent a risk for the Company should the base interest rates fluctuate. However, the Company has the option to secure a fixed interest rate with its financial institution.

b) Currency risk:

Currency risk is the risk that the future cash flows of foreign denominated 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.

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> September 30 2009	<u>US</u> June 30 2009	<u>Euro</u> September 30 2009	<u>Euro</u> June 30 2009
Cash	\$ 229,576	\$ 345,919	\$ 7,409	\$ 30,268
Accounts receivable	560,524	-	696,711	475,125
Accounts payable	363,216	138,983	-	-

Based on the above exposures as at September 30, 2009, and assuming that all other variables remain constant, a 5% depreciation or appreciation of the Canadian dollar against the American dollar and Euro would result in a decrease or increase in the Company's net loss and comprehensive loss of approximately \$50,000.

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12. Financial instruments (cont'd):

c) Counterparty credit risk:

The Company invests surplus cash in short-term investments, sells its product to customers on standard market credit terms and purchases derivative instruments. These activities expose the Company to counterparty credit risk should the counterparty fail 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. The Company establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. The allowance for doubtful accounts related to continuing operations amounted to \$185,626 as at September 30, 2009 (\$207,365 as at June 30, 2009).

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 is related to the carrying amount of cash, accounts receivable and derivative instruments.

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.

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12. Financial instruments (cont'd):

d) Liquidity risk (cont'd):

The following are the undiscounted contractual obligation maturities of financial liabilities as at September 30, 2009:

	Maturities			
	Total \$	Less than 1 year \$	2 years \$	More than 2 years \$
Bank advances	156,860	156,860	-	-
Accounts payable and accrued liabilities	3,759,292	3,759,292	-	-
Long-term debt	2,021,329	602,539	641,736	777,054
Secured convertible debentures	908,325	488,475	419,850	-

e) Fair value:

The fair value of cash, deposit in trust, short-term investments, trade receivables, advances to shareholders, other receivables, interests receivable, bank advances and loan, and accounts payable and accrued liabilities corresponds to their book value given their short-term maturities.

The fair value of the term loans that bear interest at the prime rate plus rate between 1.0% and 3.0% with a carrying value of \$733,232 corresponds to their book values as a result of the variable interest rates associated with these loans.

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12. Financial instruments (cont'd):

e) Fair value (cont'd):

The book value and the fair value of other financial assets and liabilities as at September 30, 2009 are summarized as follows:

	September 30 2009		June 30 2009	
	Book value	Fair value	Book value	Fair value
Short-term investments	\$ 1,146,600	\$ 1,146,600	\$ 3,702,958	\$ 3,702,958
Long-term debt	\$ 2,021,329	\$ 1,929,615	\$ 2,209,766	\$ 2,213,422
Convertible debentures	\$ 908,325	\$ 908,325	\$ 1,789,827	\$ 1,789,827
Non-current portion of liabilities held for sales	\$ 2,127,034	\$ 2,127,034	\$ 2,149,363	\$ 2,149,363

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, 2009.

NOVEKO INTERNATIONAL INC.

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13. Segmented information:

Following the discontinued operations of the steel segment, management has determined that the Company exercise its activities in five significant segments, which are masks, filtration, sanitizers, medical equipment and others, as previously described.

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.

For the period ended September 30, 2008, the Company had divided its activities in four segments: development, manufacturing and marketing of medical equipment, custom processing and distribution of steel products, development and marketing of products in the biomedical and environmental fields and others. To better understand the Company's performance, to take into account businesses acquired during the year ended June 30, 2009 and to better represent its growth avenues, the Company reorganized its segments into five new segments. Therefore, the former segment related to the development and marketing of products in the biomedical and environmental fields has been divide into three new segments: masks, filtration and sanitizers. The comparative figures were modified to incorporate these changes and the discontinued steel segment.

Information on the results and the assets of each segment:

	September 30 2009	September 30 2008
Revenues from external clients:		
Medical equipment	\$ 2,295,945	\$ 1,548,396
Sanitizers	792,758	66,738
Masks	794,277	10,900
Filtration	505,329	373,016
Others	107,837	272,999
	\$ 4,496,146	\$ 2,272,049
Earnings (loss) before amortization, financial fees and income taxes:		
Medical equipment	\$ 117,486	\$ (394,556)
Sanitizers	(257,676)	(524,400)
Masks	39,414	(835,028)
Filtration	(600,354)	(335,645)
Others	(2,255,117)	(3,714,517)
	\$ (2,956,247)	\$ (5,804,146)

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13. Segmented information (cont'd):

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

	September 30 2009	September 30 2008
Depreciation and amortization:		
Medical equipment	\$ 131,414	\$ 124,222
Sanitizers	24,690	15,049
Masks	18,601	14,446
Filtration	78,978	117,297
Others	309,190	48,655
	\$ 562,873	\$ 319,669
Interest expenses:		
Medical equipment	\$ 11,883	\$ 22,009
Sanitizers	9	4,977
Masks	9,433	-
Filtration	14,116	13,617
Others	71,318	82,830
	\$ 106,759	\$ 123,433
Income taxes:		
Medical equipment	\$ 131	\$ (131,178)
Sanitizers	356	-
Masks	1,422	-
Filtration	1,028	(14,078)
Others	(31,951)	5,222
	\$ (29,014)	\$ (140,034)
Net loss from continuing operations:		
Medical equipment	\$ (68,493)	\$ (372,271)
Sanitizers	(282,947)	(544,426)
Masks	(8,936)	(849,474)
Filtration	(736,196)	(450,677)
Others	(2,714,317)	(4,063,659)
	\$ (3,810,889)	\$ (6,280,507)
Assets:		
Medical equipment	\$ 11,371,215	\$ 15,285,652
Sanitizers	7,416,610	6,033,619
Masks	3,332,263	1,542,047
Filtration	7,523,876	13,238,162
Others	13,730,842	25,569,474
Assets held for sale	5,328,459	9,415,682
	\$ 48,703,265	\$ 71,084,636

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13. Segmented information (cont'd):

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

	September 30 2009	September 30 2008
Fixed asset expenditures:		
Medical equipment	\$ 130,787	\$ 183,586
Sanitizers	-	37,700
Masks	-	-
Filtration	198	11,538
Others	36,285	232,732
	\$ 167,270	\$ 465,556

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

	September 30 2009	September 30 2008
Canada	\$ 12,352,132	\$ 12,484,641
France	2,658,048	2,910,921
Algeria	367,715	379,642
Luxembourg	654,996	674,059
Taiwan	659,784	710,036
	\$ 16,692,675	\$ 17,159,299

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

	September 30 2009	September 30 2008
Canada	\$ 997,006	\$ 774,554
Latin America	81,234	97,143
United States	380,133	45,419
Europe	1,838,803	886,343
Africa and Asia	1,198,970	468,590
Total revenues	\$ 4,496,146	\$ 2,272,049

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14. Subsequent events:

- a) On October 8 and 27, 2009, the Company issued 7,156,000 units by way of a best efforts private placement for total gross proceeds of \$15,743,200. Each unit consisted of one Class A share and one-half of one Class A share warrant. Each whole warrant entitles its holder to purchase, at a price of \$3.00 per share, one Class A Share for a period of 36 months. Accordingly, a total of 7,156,000 Class A shares were issued and an additional 3,578,000 Class A shares may be issued upon due exercise of the warrants.
- b) On October 9, 2009, \$893,706 of convertible debentures were converted in 751,044 Class A shares.

15. Comparative figures:

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