



Interim Management's Report

First Quarter 2011

Three-Month Period Ended September 30, 2010

November 11, 2010

Management's Report

1. PURPOSE AND BASIS OF PRESENTATION

The Management's Report is designed to assist investors in understanding the nature and the importance of the changes and trends, as well as the risks and uncertainties associated with the operations and financial position of Noveko International Inc. ("the Company"). This Management's Report presents an analysis of the Company's operations for the first quarter ended September 30, 2010 (the "first quarter of 2011"), in comparison with the corresponding period ended September 30, 2009 (the "first quarter of 2010"), as well as an analysis of its balance sheet, cash flows and changes in financial position between those dates. The Management's Report should be read in conjunction with the unaudited consolidated financial statements and accompanying notes for the first quarter of 2011. It should be noted that these financial statements have not been reviewed by the external auditor.

Supplementary information about the Company, including its Annual Information Form for the fiscal year ended June 30, 2010, annual reports, management's reports on previous interim periods and press releases, is available on the Company's website (www.noveko.com) and on SEDAR (www.sedar.com).

In this Management's Report, unless otherwise indicated or required by the context, "Noveko International", "the Company", "we", "us", "our", "our Company", "the Group" and "our Group" designate, as the case may be, Noveko International Inc. or Noveko International Inc. and its subsidiaries, and "Noveko" designates Noveko Inc., a subsidiary of the Company. The Company's other subsidiaries are designated as follows: "ECM" for S.A.S. E.C.M., "Epurair" for Epurair Inc., "Magnum" for Magnum Pharmaceuticals Inc., "Noveko Algérie" for SARL Noveko Algérie, "Noveko Beijing" for Noveko (Beijing) Hi-Tech Development Limited, "Noveko Taiwan" for Noveko Taiwan Co., Ltd., "Noveko Trading" for Noveko Trading 2008 LLC, "Purer Life" for Purer Life Technology Co., Ltd. and "BLI" for Bolduc Leroux Inc. Also, the fiscal year ended June 30, 2010 and those ended June 30 of prior years are sometimes designated by the terms "fiscal 2010", "fiscal 2009" and so on.

The information contained in this Management's Report accounts for any major event occurring up to November 11, 2010, the date on which the Board of Directors approved the unaudited consolidated financial statements and Management's Report for the first quarter of 2011. 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 this Management's Report and certain other sections of this report also includes some figures that are not performance measures consistent with GAAP, such as earnings (loss) before amortization, financial expenses, other items and income taxes ("EBITDA"). The Company uses EBITDA because this measure enables management to assess the Company's operational performance. This measure is a widely accepted financial indicator of a company's ability to repay and assume its 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, the reported amounts of revenue and expenses and the disclosure of contingent assets and liabilities.

Significant items subject to such estimates and assumptions include the estimate of allowance for doubtful accounts, the provision for obsolete inventories, the useful life of fixed and intangible assets which will be used for amortization purposes, the assumptions used for testing the impairment of long-lived assets, intangible assets and goodwill, the warranty provision, the income taxes provision, the assumptions used in the determination of the stock-based compensation charge, the fair value of financial instruments, the fair value of assets and liabilities acquired in business acquisitions and the fair value of goodwill. Income tax credits refundable are also subject to estimates and assumptions. These tax credits are subject to review and approval by tax authorities. Actual results may differ from these estimates.

This Management's Report contains forward-looking statements which may involve, but are not limited to, statements with respect to our objectives, targets, goals, priorities and strategies, financial position, prospects, plans, expectations, anticipations, estimates and intentions; general economic and business conditions outlooks, prospects and trends in the industries in which we are involved; expected growth in demand for products and services; product development, including planned design, characteristics, capacity and performance; expected and or scheduled entry into service of products and services, orders, deliveries, testing, lead times, certifications and project execution in general; our competitive position and the expected impact of the legislative and regulatory environment and legal proceedings on our Group's business and operations. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "plan," "foresee," "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. By their nature, forward-looking statements require us to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause our actual results in future periods to differ materially from forecasted results. While we consider these assumptions to be reasonable and appropriate based on current information available, there is a risk that they may not be accurate.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include risks associated with general economic conditions, risks associated with our business environment (such as the financial condition of the economic sectors in which we are involved), operational risks (such as those involved in researching and developing new products and services, risks associated with doing business with partners, product warranty and product liability, risks from regulatory and legal proceedings, risks relating to our dependence on certain key customers and suppliers, human resources, risks resulting from fixed-term commitments and risks associated with production and project execution), financing risks (such as risks relating to liquidity, the access to capital markets and the terms of certain restrictive debt covenants) and market risks (including foreign currency fluctuations, changing interest rates and commodity pricing risk). For further details, the reader is referred to the *Risks and Uncertainties* section of the Management's Report for fiscal 2010. Readers are cautioned that foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed upon forward-looking statements. The forward-looking statements set forth herein reflect the Company's expectations as of the date of this Management's Report and are subject to modifications after this date. Unless otherwise required by applicable securities laws, the Company expressly disclaims any intention, and assumes no obligation to update or review any forward-looking statements, whether as a result of new information, future events or otherwise. These forward-looking statements contained in this Management's Report are provided expressly under this warning.

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 human and animal health and well-being. Through our subsidiaries, we are engaged primarily in the design, development, manufacture and marketing of products incorporating our patented air filtration technologies, specifically air filters, antimicrobial surgical masks and respirators, as well as hand sanitizers with antimicrobial properties and medical equipment, mainly ultrasound scanners for use in human and veterinary medicine.

Operational Overview, First-Quarter Highlights and Subsequent Events

Strategy

Our primary objectives for upcoming quarters are to grow our business and to improve our profitability. Our growth strategy is focused on the worldwide marketing of our solutions and patented air filtration technologies intended for the air filters and antimicrobial masks and respirators segments, and the design of innovative applications derived therefrom. Moreover, we are pursuing the development of markets for our hand sanitizers and continuing to implement efforts to increase our presence in ultrasound scanners for the human and veterinary medicine markets.

To achieve these growth objectives, we continue to build upon the following two-tiered strategy:

- the establishment of partnerships aimed at driving the development, production and marketing of our technologies and products, in particular our portfolio of solutions with antimicrobial properties. In this regard, our business model for the manufacture and distribution of our patented technologies remains focused on entering into licence agreements with partners who are market leaders; and
- the optimization of synergies with our subsidiaries to enhance our operational efficiency and intensify our market and product offering development.

Patented Air Filtration Technologies

Our antimicrobial air filtration technologies are applied to both our *masks and respirators* segment and our *air filters* segment. Antimicrobial masks and respirators as well as air filters incorporating our technologies not only block the spreading of pathogens by filtration, but also neutralize them thanks to the antimicrobial agents directly incorporated into the fibres of the filtering membranes. These technologies are protected by patents granted by several countries, including Canada and the United States, and the rights arising from the patent applications filed in various other jurisdictions. Furthermore, our patents provide extensive protection as they embrace any type of antimicrobial agent impregnated, incorporated or molecularly bounded into fibre.

In addition to these technologies, the membranes used in our *air filters* segment also incorporate a patented weaving technology featuring a three-dimensional configuration.

Operational Overview

To drive our growth based on our strategic priorities, and subsequent to the evaluation of our business conducted during fiscal 2010, the operations of our subsidiary Noveko remain the focus of special attention. We are also continuing the measures implemented over the last year to ensure a higher level of vigilance in regard to our operational efficiency and better operating cost control in each of our business segments. In this regard, we will especially emphasize the sanitizers segment.

The highlights with regard to the operations of the Group and its business segments are presented below in the light of our strategic priorities:

Combination of Head Office and Noveko: To optimize the Group's operations, we decided to consolidate our head office and Noveko activities under one roof. Hence, the Terrebonne building has been put up for sale and we plan to move into new downtown Montreal offices in December 2010.

Expansion of Epurair: Epurair's filtration activities will move from its McMasterville, Québec building into larger premises located in Boucherville, Québec, thereby increasing its production capacity. The McMasterville building has been put up for sale.

Eventual Sale of BLI: We have retained the services of an agent to more actively pursue the process of divesting BLI, whose operations no longer fit with our growth strategy.

Financing: On September 23, 2010, we announced we intended to proceed with a private placement of Class A shares, for a minimum amount of \$4 million and a maximum amount of \$10 million, at a price of \$0.60 per share (the "2010 private placement"). Subscriptions are to be made for a minimal amount of \$150,000. On September 30, 2010, we proceeded with a first closing of \$4,440,000 ("the first closing") in connection with this offering. Pursuant to this first closing, the Caisse de dépôt et placement du Québec acquired 4,000,000 Class A shares of the Company, increasing its shareholding to a total of 12% of our shares then outstanding. On October 29, 2010, we proceeded with a second closing of \$900,000 ("the second closing"). Consequently, 8,900,000 Class A shares have been issued thus far in connection with the 2010 private placement. These shares are subject to a mandatory four-month hold period. The net proceeds from the offering will be used to pursue our growth objectives, mainly in the filtration segment, as well as for general working capital purposes. Furthermore, the private placement has been extended to December 10, 2010.

Mr. Jean Brassard sits on the Board of Directors: On November 11, 2010, we announced the appointment of Mr. Jean Brassard as a director of the Company. Now a corporate director, he is one of the pioneers and minds behind the success of CGI Group Inc.

Air Filtration Products

The August 2008 acquisition of Purer Life paved the way for new applications in various promising industrial segments. Initially targeted to the livestock farm market, especially hog farms, our air filtration solutions also have characteristics valued by several other business segments, notably the transportation industry and the real estate market, including office buildings, healthcare facilities and multi-purpose buildings. In addition to the properties specific to Noveko's patented antimicrobial technologies, Purer Life's membranes incorporate a patented weaving technology featuring a three-dimensional configuration that ensure them of a superior filtration capacity and increased longevity, setting them apart as a cost-effective and eco-friendly solution. The major breakthroughs achieved during fiscal 2010 in these high-potential markets attest to the keen interest in our filtration technologies in the air filters segment, which segment should be our primary growth driver over the medium and long term. In this regard, we are continuing negotiations with several groups interested in our filtration solutions.

Air Filters for Farm Buildings

Several signs allow us to look forward to a certain improvement in business in the swine market. Industry leaders recognize that changes are needed in the area of production planning to ensure that a sustainable management model is implemented for farmers. In this respect, we are confident we are well positioned for producers to adopt our antimicrobial filtration solutions as a key feature of their bio-safety program, particularly with our new filter that is installed directly on air diffusers in farm buildings. This new filter configuration developed by our filtration team offers a filtration solution further adapted to the needs of many hog farmers and features the advantage of eliminating most of the costs related to filter installation, making them a more cost-effective option. We have also re-engineered our filters designed for building air intakes to reduce their production costs, while also offering, more affordably, the same level of protection against the airborne spread of pathogens. Aimed at an expanded client base, these new-generation filtration solutions are attracting considerable interest from a number of hog farmers with whom we are currently in talks. We are also pursuing our targeted market development initiatives, especially in North America.

Air Filters for the Transportation Industry

The initial benefits of the agreement with Bombardier Transportation should gradually materialize during fiscal 2011. We believe that this collaboration, which attests to the great interest in our technologies, will represent a strategic advantage for the marketing of our filters and the key to success in order to develop the full potential of our air filtration solutions. It showcases the recognition that the energy and cost savings associated with the use of our green air filtration solutions are particularly valued characteristics by the transportation industry. Noveko™ filters offer greater filtration effectiveness and durability, while placing less restriction on the ventilation, thereby requiring less power from the ventilation systems motors. They are also cleanable and recyclable, which considerably reduces the number of filters used as well as the costs associated with their replacement and the elimination of waste. What makes our filters cleanable and so durable is notably the incorporation of antimicrobial agents into the fibres of our filters, thereby protecting them against deterioration due to the action of micro-organisms. Furthermore, we are in talks with various rail transportation parties interested in our technologies.

In the aeronautics segment, we are pursuing the required tests to obtain “STC” certification for our filters from Transport Canada. Despite certain execution delays, we are continuing to implement our business plan for the commercialization of our filtration technologies in the aeronautics field. Various airlines, including Air Transat, have already shown an interest in equipping their aircraft with such filters. However, we do not expect any significant revenues in this regard for fiscal 2011.

Air Filters for Buildings – Institutional and Commercial Markets

During fiscal 2010, Noveko’s filtration solutions were shown to have the potential to generate new applications designed for the real estate sector, including office buildings, commercial and multi-purpose properties and healthcare institutions. The pooling of Epurair’s technologies and distribution networks increases our development potential in these markets. By signing agreements to install our filters in large-scale buildings, such as Complexe Desjardins (the largest multi-purpose building in the Greater Montreal Area), one of the pavilions of the Jewish General Hospital (a teaching hospital affiliated with McGill University and one of the leading hospitals in Quebec), and the Bell Centre (a multi-purpose building recognized as the most outstanding entertainment venue in Montreal and also the biggest hockey arena in North America), we proved that we offer an effective, cost-efficient and eco-friendly solution ideal for any building as part of a sustainable development strategy. In fact, our filters incorporating our patented filtration technologies designed for the buildings market consist of four layers of synthetic fibre that are fully leak-proof and resistant to variations in temperature and humidity. Like the filtration solutions designed for the transportation industry, they stand apart through their effectiveness and durability and by the fact that they are cleanable and recyclable. Antimicrobial agents are also incorporated into these fibres, thereby protecting them against deterioration due to the action of micro-organisms. The energy savings and the reduction in filtration waste arising from the use of our filtration solutions make them particularly important advantages for building owners seeking to obtain the certifications recognizing responsible environmental management and the design and construction of sustainable buildings, such as the LEED (*Leadership in Energy and Environmental Design*), ISO 14001 and BOMA BEST (*Building Environmental Standards*) certifications.

We are in active talks with several real estate groups interested in our filtration solutions and we are confident that the marketing of our air filters in the buildings segment will accelerate during fiscal 2011.

EPURAIR™ Products

Epurair designs and sells air filtration systems for furnaces and air-conditioners, air exchangers and air purifiers for the residential and commercial markets. Integrating the Epurair and Noveko technologies also allows us to develop promising new products, as explained in the previous section. Furthermore, we plan to launch a new model of filters featuring antimicrobial agents that will be targeted to the residential market.

Antimicrobial Masks and Respirators Markets

We are still suffering from the negative effects of the rapid end to the A (H1N1) influenza pandemic during the third quarter of 2010, which subsequently had an adverse impact on demand. In fact, this disappearance of an emergency situation led to the deferral and cancellation of a number of expected orders. The financial problems encountered by some of our distributors also led to the cancellation of various orders. To these were added the delivery delays further described in the Management's Report for fiscal 2010, including those related to the steps to obtain the marketing authorizations and certifications pursuant to the regulatory requirements specific to targeted territories. All these factors slowed down the marketing of our masks and respirators and account for our much-lower-than forecasted sales, as well as the sharp sales decrease in the first quarter of 2011, whereas the prevailing pandemic had brought about a major increase in the corresponding period of fiscal 2010. Furthermore, certain agreements have not yet yielded the expected results; we are currently looking into our options in this regard.

These production and execution delays and challenges, caused notably by the hazards of pandemic threats as well as numerous regulatory obstacles inherent to products considered as medical equipment and also incorporating antimicrobial properties, made us reconsider our strategic priorities for the marketing of our masks and respirators. In this regard, we reiterate that the conclusion of licence agreements or partnerships is our preferred business model for the marketing of our antimicrobial filtration technologies. Further efforts are now being focused on the search for partners, notably in order to grant them manufacturing and commercialization licences to our intellectual property. We are confident that this is a sustainable marketing strategy that is also better aligned with our corporate mission and should also allow more efficient use of our capital resources. To that end, we are still in talks with various parties and thereby hope to further stimulate our market development and the commercialization of our technologies in this segment over the medium and long term.

Certification Processes

In July 2010, our new model of Noveko™ RD2 antimicrobial respirators obtained FFP2 classification. The grant of this regulatory certification allows us to market these respirators in all countries throughout the European Union. It also confirms that these respirators, considered personal protection equipment (PPE) pursuant to European Directive 89/686/CEE, comply with the Directive's various health, safety and protection requirements and have been designed and tested in compliance with the EN 149:2001+A1:2009 standard. This certification will also facilitate the marketing of respirators in several other territories that recognize these European standards *de facto*. Standard EN 149:2001+A1:2009 applies exclusively to respirators, whereas surgical masks are not subject thereto. We had already been authorized to affix CE Marking on our surgical masks in July 2008.

In the fourth quarter of 2010, we submitted an application for certification of our Noveko™ respirators to the US National Institute for Occupational Safety and Health ("NIOSH"). We have since held various discussions with NIOSH representatives, subsequent to which we were informed that due to the presence of antimicrobial agents in our respirators and an agreement with the US Food and Drug Administration ("FDA"), our application could not be considered until FDA certification is obtained, even though our application to NIOSH did not include any antimicrobial claim. In the meantime, we have withdrawn the first application filed with NIOSH for our antimicrobial respirators in order to replace it with a new application for certification. This new application will cover a respirator model whose design and particle filtration features are identical to those of the antimicrobial respirators covered by the first application, but without any antimicrobial agent. We are currently finalizing the tests on this new respirator model in accordance with NIOSH standards in order to shortly submit the new application for certification. Through this process, we hope to show buyers seeking NIOSH recognition in their purchasing decision that our respirators – with or without antimicrobial agents – meet the NIOSH's filtration criteria, even though their marketing in the United States remains subject to obtaining FDA certification.

Concurrently with this process, we are pursuing the tests and obtaining the required performance data to draw up the file to support a future 510(k) submission in order to meet both the FDA's requirements and our marketing imperatives. In this context, and in line with our strategy of teaming up with partners in order to stimulate the development and marketing of our technologies, we are continuing talks with certain large-scale corporations. We are looking into various partnership opportunities that would facilitate the development of antimicrobial masks and respirators meeting all these requirements.

Sanitizers

We continue to prioritize the most promising hospital and institutional segments for our hand sanitizers, whereas the retail market has also undergone some growth. The pandemic threat that emerged in late April 2009, combined with general public health concerns, initially led to a major increase in the demand for our sanitizers, as reflected by the major increase in sales in the first half of fiscal 2010. However, as explained in the *Antimicrobial Masks and Respirators* section of this Management's Report, the A (H1N1) influenza pandemic rapidly came to an end during the third quarter of 2010, which had an adverse impact on demand, leading to the deferral and cancellation of several sanitizer order deliveries. All these factors slowed down their marketing and account for the fact that our sales were much lower than forecast and down sharply from the corresponding period of fiscal 2010. Furthermore, some agreements have not yielded the expected objectives and reviews are in progress. In this regard, the agreement binding us to a U.S. corporation for the distribution of our hand sanitizers has been terminated. The credits for merchandise returns arising therefrom adversely affected revenues for the first quarter of 2011.

Despite these execution delays, we believe that the increased awareness of governments, institutions and the general population as to the importance of maintaining good hand hygiene, as well as the efforts to reduce infections and the spread of viruses and bacteria, will continue to have a positive impact on the demand for sanitizers over the long term. Although we look forward to a certain resumption of our marketing activities in this segment, that could take longer than anticipated. The agreements and orders referred to below attest to renewed interest in our sanitizers.

- In September 2010, we signed a distribution agreement with Benjamin News Inc. ("Benjamin News"), a Quebec company specializing in the distribution of magazines and complementary products to the retail segment. This agreement, which has an initial term of three years, covers the sale and promotion of Microban® hand sanitizers in Quebec, New Brunswick and Eastern Ontario. We believe that the experience and extensive network of exclusive distributors of Benjamin News will enable us to step up the marketing of our sanitizers in the retail segment, notably by enhancing their positioning, showcasing and constant monitoring in-store. The distribution channels of Benjamin News reach some 9,000 points of sale, of which more than 8,000 in Quebec, including leaders in the pharmaceuticals and food industries as well as independent retailers.
- In October 2010, we were awarded a major order worth a total of \$650,000 for our hand sanitizers. The 125 ml formats of the Company's line of hand sanitizers will thus be offered to the customers of the some 250 IGA grocery stores in Quebec as part of a promotional campaign to be held in January 2011.

We are also still in talks with various other parties aimed at further stimulating our market development and the commercialization of our products, while also increasing their production more efficiently, notably by securing a closer presence to target markets.

Medical Equipment

Ultrasound Scanners

ECM has successfully maintained its dominant market share in ultrasound scanners for use in veterinary medicine and has even strengthened its leadership worldwide, thanks to the fact that a major Norwegian company specializing in swine genetics opted to equip several of its livestock farms, primarily located in Scandinavia but also in the United States, with Agrosan™ ultrasound scanners.

Furthermore, although initially slowed down by the additional delays encountered in obtaining the product approvals in each of the countries where it was launched, the marketing of the Imagyne™ ultrasound scanner for use in human medicine is going well, whereas a major breakthrough in China considerably reinforced ECM's market positioning in ultrasound scanning for use in human medicine. In August 2010, ECM indeed concluded an exclusive distribution agreement with Ningbo Xingaoyi Magnetism Co., Ltd ("NXM"), a leading Chinese high-tech firm specializing in the manufacturing of magnetic resonance equipment. Under this agreement, which has an initial term of three years, NXM has committed to purchase Imagyne™ scanners for use in human medicine in China, all for a minimum value of 5.7 million Euros, of which 900,000 Euros the first year. The Imagyne™ ultrasound scanner will also be designed for use in veterinary medicine, but to a lesser extent.

ECM also achieved major breakthroughs in commercializing its Exago™ ultrasound scanner in the equine market, a new niche for ECM, within a few months of its launch. In fact, it was recently awarded contracts representing more than \$4 million over a three-year period by key players in the North American veterinary medicine field. The Exago™, initially designed for the equine market and to a lesser extent for the pets market, is now also intended for use in human medicine, especially for emergency, anesthesia and army needs. In fact, ECM was just recently authorized to affix CE Marking on the Exago™ and has started its first deliveries targeted to human medicine. Once the Exagyne™ (as it were the portable version of the Imagyne™) has also been brought to market, ECM will offer a complete line of ultrasound scanners responding to various clinical applications, thereby driving further penetration of the human medicine market. A network of exclusive distributors for the human medicine market has now been set up and extends to more than 30 countries.

Noveko Algérie

Noveko Algérie continues to reap the benefits of supplying various medical devices. In connection with its healthcare sector reform, Algeria is investing massively to build new infrastructures equipped with modern medical equipment. We believe that the healthcare promotion in Algeria paves the way for promising breakthroughs for all our products, while also driving our Algerian subsidiary's medical equipment import activities.

3. SELECTED CONSOLIDATED QUARTERLY INFORMATION

Three-Month Periods Ended September 30, 2010 and 2009

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

	2010 ⁽¹⁾	2009
Revenues from continuing operations	2,747	4,388
Gross margin	1,223	2,095
Loss before amortization, financial expenses, income taxes, other items and discontinued operations ⁽²⁾	(2,434)	(2,764)
Loss from continuing operations	(2,838)	(3,503)
Loss from discontinued operations ⁽³⁾	(88)	(636)
Net loss	(2,926)	(4,139)
Loss per Class A share (basic and diluted)		
Continuing operations	\$ (0.04)	\$ (0.05)
Discontinued operations ⁽³⁾	\$ (0.00)	\$ (0.01)
Net loss	\$ (0.04)	\$ (0.06)
Weighted average number of outstanding Class A shares, basic and diluted (in thousands)	76,006	67,277

Balance Sheet Data	September 30 2010	June 30 2010
Total assets	45,910	42,675
Shareholders' equity	35,085	33,063
Total interest-bearing debt ⁽⁴⁾	1,403	1,446
Non-current liabilities held for sale ⁽⁵⁾	1,697	1,753
Cash, cash equivalents, short-term investments and deposit in trust	6,087	2,873

- 1) The consolidated financial statements include the accounts of the Company and its subsidiaries, all wholly-owned as at September 30, 2010.
- 2) Including stock-based compensation of \$241,690 and \$1,179,524 for the respective periods of 2010 and 2009, which has no impact on the cash balance.
- 3) Related to BLI's and Magnum's operations for the first quarter of 2010, but solely to BLI's operations for the first quarter of 2011.
- 4) Including long-term debt and its current portion, as well as bank loans, excluding BLI.
- 5) Related to BLI.

4. OPERATING RESULTS

Analysis of Consolidated and Segmented Operating Results for the First Quarter of 2011 Compared with the First Quarter of 2010

Our segmented information is reported based on the following business segments: medical equipment (“medical equipment”), sanitizers (“sanitizers”), antimicrobial surgical masks and respirators (“masks”), filtration products (“filtration”) and other activities consisting primarily of the activities of the parent company, Noveko International, and of Noveko Trading (“other”). Furthermore, the results of operations of BLI have been withdrawn from continuing operations to be treated as discontinued operations in the Company’s financial statements. The assets and liabilities related to BLI have been reclassified as assets and liabilities held for sale. As Magnum proceeded with a voluntary assignment of its assets effective June 2, 2010, its results of operations are also treated as discontinued operations in the Company’s financial statements for the periods ended prior to that date. As for the assets and liabilities related to Magnum, they no longer appear in the Company’s financial statements subsequent to the voluntary assignment of its assets.

Consolidated and Segmented Revenues from Continuing Operations

Quarters Ended September 30		
	2010	2009
Medical equipment	\$ 2,274,980	\$ 2,295,945
Sanitizers	(127,923)	792,758
Masks	14,603	794,277
Filtration	585,268	505,329
Other	-	-
Total	\$ 2,746,928	\$ 4,388,309

Consolidated revenues for the first quarter of 2011 decreased by \$1.6 million or 37% to \$2.7 million. This reduction primarily reflects the sales declines in the sanitizers and masks segments, in the amounts of \$0.9 million (116%) and \$0.8 million (98%), respectively, but also the major depreciation of the Euro against the Canadian dollar which adversely affected the gains posted in the medical equipment segment. The decline in the sanitizers and masks segments stemmed notably from the rapid end of the A (H1N1) influenza pandemic which subsequently had a negative impact on demand by leading to the deferral and cancellation of several orders, whereas in comparison, the prevailing pandemic had led to a strong growth in sales in these segments in the corresponding period of fiscal 2010. The financial problems encountered by some of our distributors and the delays in obtaining the required authorizations and certifications for the marketing of our products also account for our much lower-than-expected sales. Furthermore, in the sanitizers segment, credits for the return of merchandise of approximately \$0.2 million, granted as part of the termination of a distribution agreement, also adversely affected revenues for the first quarter of 2011 and could not be offset by the sales achieved in both hospital settings and the retail market thanks to our recent distribution agreements. Despite these disappointing results, the award of a new European certification for our antimicrobial respirators, along with new orders and agreements for our sanitizers, enable us to believe that our marketing activities will pick up in these segments during the next quarters; however, that could take longer than expected. For further details in this regard, the reader is referred to *Description of the Company – Operational Review – Antimicrobial Masks and Respirators and Sanitizers*. Sales of medical equipment remained relatively stable at \$2.3 million, whereas the 20% growth in ECM’s sales could not offset the reduction in Noveko Algérie’s sales. In ECM’s case, the increase would have been higher – at more than 40% in Euros – were it not for the significant depreciation of the Euro against the Canadian dollar. The negative impact on our revenues amounted to \$0.3 million. ECM’s sales growth reflects both its breakthroughs in human medicine and its ongoing penetration of the veterinary medicine market, as set forth in further detail under *Description of the Company – Operational Review – Medical Equipment*. The devaluation of the Algerian dinar against the Canadian dollar, also adversely affected our medical equipment sales, although to a lesser extent. Finally, revenues from filtration products posted a \$0.1 million or 16% increase, reflecting the growth in sales of filtration products recorded by our subsidiaries Epurair and Noveko Taiwan.

The operating profit margin for the first quarter of 2011 was 44.5%, compared with 47.7% for the first quarter of 2010. This decline notably reflects the weighting of certain fixed costs, including logistics services expenses in a context of lower sales in the masks and sanitizers segments, as well as increase in the provision for obsolete inventories.

Selling and administrative expenses decreased by \$0.4 million or 11% to \$3.2 million. This reduction partly reflects the cost control measures implemented.

Stock-based compensation charge for the first quarter of 2011, which is without impact on the Company's cash balance, decreased to \$0.2 million, down by \$0.9 million from the first quarter of 2010. This reduction is explained by the lower number of options granted in the past quarters and the gradual recognition of the compensation charge. The reader is reminded that at the beginning of fiscal 2009, and primarily in connection with acquisitions, a large number of stock options vesting over a period of 12 to 30 months had been granted.

Research and development expenses increased by \$0.1 million over the first quarter of 2010 to \$0.3 million, due primarily to the development costs associated with the masks, filters and medical equipment segments.

Earnings (Loss) before Amortization, Financial Expenses, Income Taxes, Other Items and Discontinued Operations

Quarters Ended September 30				
	2010		2009	
Medical equipment	\$	443,109	\$	117,486
Sanitizers		(781,564)		(257,676)
Masks		(205,572)		39,414
Filtration		(595,965)		(600,354)
Other		(1,294,107)		(2,062,855)
Total	\$	(2,434,099)	\$	(2,763,985)

Considering mainly the aforementioned factors, **the loss before amortization, financial expenses, income taxes, other items and discontinued operations** was reduced to \$2.4 million for the first quarter of 2011, down by \$0.3 million or 12% from the corresponding quarter of the previous year, despite the revenue decrease during the period. Segmented changes are due primarily to the following factors:

- a significant decline in the stock-based compensation charge of the parent company Noveko International (in the "other" segment) and of the other business segments, for the previously mentioned reasons;
- a \$0.3 million improvement in the earnings before amortization, financial expenses and income taxes achieved by the medical equipment segment, thanks mainly to ECM's contribution and the improvement in its profitability and that of Noveko Algérie;
- a \$0.2 million increase in the loss incurred by the masks segment reflecting, in a context of lower sales than in the same quarter of the previous year, an increase in development expenses and fixed costs, despite the decline in stock-based compensation charge; and
- a \$0.5 million increase in the loss incurred by the sanitizers segment, primarily attributable to the reduction in the profit margin in a context of negative sales.

Amortization expenses increased by \$0.3 million in the first quarter of 2011. This increase is primarily attributable to the amortization of the expenses related to the development of the Exago™ since its launch in the veterinary market and the increase in amortization expenses related to intangible assets, including our new integrated management system, the implementation of which was completed during the third quarter of fiscal 2010.

Financial expenses less investment revenues represented a negative amount of \$0.4 million for the first quarter of 2011, compared with a positive amount of \$0.3 million for the first quarter of 2010. This \$0.7 million difference is due primarily to the recognition of a foreign exchange gain of \$0.4 million for the first quarter of 2011, whereas a foreign exchange loss of \$0.3 million had been recognized during the corresponding period of the previous year, and, to a lesser extent, the reduction in interest on the convertible debentures.

The reader is reminded that subsequent to a preliminary assessment, a goodwill impairment charge of \$2.4 million related to the sanitizers segment was recognized in the consolidated statement of operations for the fourth quarter of fiscal 2010. This impairment, which is without impact on the Company's cash balance, reflects the market conditions affecting this segment, primarily the slowdown in the marketing of the sanitizers following the rapid end of the A (H1N1) influenza pandemic and the termination of a significant distribution agreement, as set forth in further detail under *Description of the Company – Operational Review – Sanitizers*. With the assistance of an independent valuator, the Company is currently carrying out this comprehensive assessment including a detailed calculation of the estimated fair values of recorded and unrecorded intangible assets. The final impairment calculation is expected to be completed during fiscal 2011 and the resulting final adjustments would result in a non-cash adjustment to the consolidated statement of operations.

Net Earnings (Loss) from Continuing Operations

Quarters Ended September 30		
	2010	2009
Medical equipment	\$ 175,839	\$ (68,493)
Sanitizers	(912,529)	(282,947)
Masks	(163,723)	(8,936)
Filtration	(609,843)	(736,196)
Other	(1,328,049)	(2,406,589)
Total	\$ (2,838,305)	\$ (3,503,161)

Considering mainly the aforementioned factors, **the net loss from continuing operations** was reduced by \$0.7 million to \$2.8 million despite the decline in sales.

As detailed in note 6, "Discontinued Operations and Assets Held for Sale" accompanying the consolidated financial statements for the first quarter of 2011, a loss of \$87,584 from discontinued operations (BLI) was recognized, compared with a loss of \$0.6 million for the corresponding period of the previous year. In this regard, discontinued operations include the accounts of both BLI and Magnum for the first quarter of 2010, but solely the accounts of BLI for the first quarter of 2011. Consequently, the first-quarter **net loss** amounted to \$2.9 million, compared with \$4.1 million for the corresponding quarter of the previous year, a reduction of \$1.2 million.

Considering a net change in unrealized gains on translation of the financial statements of self-sustaining foreign operations of \$0.3 million for the quarter, compared with a net change in realized losses of \$0.3 million for the corresponding quarter of the previous year, a net loss of \$2.7 million represented **comprehensive income** for the first quarter of 2011, compared with a net loss of \$4.4 million for the corresponding quarter of the previous year.

The loss from continuing operations and the net loss per Class A share (basic and diluted) both amounted to \$0.04 for the quarter, on a weighted average of 76,006,347 outstanding shares, compared with a loss from continuing operations and a net loss of \$0.05 and \$0.06 per share, respectively, on a weighted average of 67,276,665 shares for the corresponding period of the previous year. The increased weighted average number of outstanding shares is due to the issue of Class A shares related to the private placement closed in October 2009 and to the first closing of the 2010 private placement, as well as the issue of Class A shares subsequent to the exercise of stock options and the conversion right of convertible debentures, as detailed in note 10 accompanying the financial statements for the first quarter of 2011.

Principal Quarterly Financial Information

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2011				
Revenues	2,747			
Loss from continuing operations	(2,838)			
Comprehensive loss	(2,654)			
Loss per Class A share from continuing operations (basic and diluted)	(0.04)			
Fiscal 2010				
Revenues	4,388	4,892	2,935	2,896
Loss from continuing operations	(3,503)	(4,562)	(4,560)	(7,737)
Comprehensive loss	(4,417)	(5,449)	(5,859)	(9,612)
Loss per Class A share from continuing operations (basic and diluted)	(0.05)	(0.06)	(0.07)	(0.10)
Fiscal 2009				
Revenues	2,014	3,687	2,454	3,257
Loss from continuing operations	(6,057)	(6,526)	(5,216)	(10,003)
Comprehensive loss	(6,957)	(5,506)	(7,062)	(12,865)
Loss per Class A share from continuing operations (basic and diluted)	(0.09)	(0.10)	(0.08)	(0.15)

5. FINANCIAL POSITION

Analysis of Principal Cash Flows for the First Quarter of 2011

Quarters Ended September 30		
	2010	2009
Operating activities:		
Net loss	\$ (2,925,889)	\$ (4,139,332)
Adjustments for loss from discontinued operations, future income taxes, accreted interest on debentures, stock-based compensation, amortization, loss (gain) on disposal of fixed assets, loss (gain) on fair value of short-term investments, unrealized loss (gain) on foreign denominated contracts, foreign exchange loss (gain) and adjustments from discontinued operations	990,631	2,485,308
Net change in non-cash balances related to operations	1,131,754	(402,327)
Total	(803,504)	(2,056,351)
Financing activities	4,407,241	(222,373)
Investing activities	(867,707)	2,393,301
Foreign exchange loss (gain) on cash in foreign currencies	6,520	(50,395)
Increase (decrease) in cash and cash equivalents	2,742,550	64,182
Cash and cash equivalents, end of period	\$ 3,382,093	\$ 1,001,501

For the first quarter of 2011, **operating activities after net change in non-cash balances related to operations** used cash flows of \$0.8 million, compared with a cash outflow of \$2.1 million for the first quarter of 2010. This change is due primarily to the reduction in the net loss, less adjustments for the loss from discontinued operations, future income taxes, accreted interest on debentures, stock-based compensation charge, amortization, loss on disposal of fixed assets, loss on short-term investments, foreign exchange gain and adjustments from discontinued operations. Net change in non-cash balances related to operations represented a cash inflow of \$1.1 million, compared with a cash outflow of approximately \$0.4 million for the corresponding period of the previous year. This change is due primarily to an increase in accounts payable and accrued liabilities.

Financing activities provided cash flows of \$4.4 million, compared with a cash outflow of \$0.2 million for the first quarter of 2010. This change primarily reflects the \$4.4 million net proceeds from the issue of Class A shares related to the first closing of the 2010 private placement.

Investing activities used cash flows of \$0.9 million, whereas they had provided cash flows of \$2.4 million during the first quarter of 2010. This change is due primarily to the fact that the Company acquired short-term investments for a net amount of \$1.6 million subsequent to the first closing of the 2010 private placement and encashed \$1.1 million on such investments, whereas during the first quarter of 2010, it had acquired no short-term investments but had encashed \$2.6 million on such investments.

Consequently, aggregate cash inflows and outflows provided **net cash flows** of \$2.7 million, compared with \$0.1 million for the first quarter of 2010. The Company ended the quarter with **cash and cash equivalents** of \$3.4 million, compared with \$1.0 million as at September 30, 2009.

Balance Sheet Analysis as at September 30, 2010

Summary Balance Sheet

	September 30 2010	June 30 2010
Current assets	\$ 20,789,308	\$ 17,786,357
Current assets held for sale ⁽¹⁾	1,263,337	1,231,858
Long-term assets	17,957,239	17,760,238
Long-term assets held for sale ⁽³⁾	5,899,858	5,896,657
	\$ 45,909,742	\$ 42,675,110
Current liabilities	\$ 5,527,200	\$ 4,444,427
Current liabilities held for sale ⁽¹⁾	1,991,259	1,780,589
Long-term liabilities	1,608,766	1,633,938
Long-term liabilities held for sale ⁽¹⁾	1,697,406	1,753,146
Shareholders' equity	35,085,111	33,063,010
	\$ 45,909,742	\$ 42,675,110

1) Related to BLI.

2) Related to BLI and buildings held for sale.

The changes in the Company's financial position between September 30, 2010 and June 30, 2010 notably reflect the period's results, including the increase in cash and cash equivalents and the addition of short-term investments subsequent to the first closing of the 2010 private placement, as previously explained.

As at September 30, 2010, **total assets** amounted to \$45.9 million, up by \$3.2 million over June 30, 2010. **Working capital** stood at \$14.5 million for a current ratio of 2.9:1, compared with \$12.8 million and a 3.1:1 ratio as at June 30, 2010.

Shareholders' equity totalled \$35.1 million as at September 30, 2010, compared with \$33.1 million as at June 30, 2010, primarily reflecting the \$4.4 million increase in capital stock subsequent to the issue of Class A shares during the first quarter of 2011 and the \$0.2 million increase in contributed surplus reflecting the stock-based compensation charge, less a \$2.9 million increase in the deficit.

Indebtedness

	September 30 2010	June 30 2010
Bank loans	\$ 182,078	\$ 167,011
Current portion of long-term debt	484,562	475,432
Long-term debt	736,572	803,647
Total indebtedness ⁽¹⁾	\$ 1,403,212	\$ 1,446,090

1) Excluding BLI.

Total interest-bearing debt (bank loans, current portion of long-term debt and long-term debt) amounted to \$1.4 million as at September 30, 2010, down by \$42,878 from June 30, 2010. This slight reduction is due primarily to the principal repayments on long-term debt made during the first quarter of 2011. It is to be noted that the total interest-bearing debt related to BLI, as detailed in note 6, "Discontinued Operations and Assets Held for Sale" accompanying the first-quarter consolidated financial statements, amounted to \$3.2 million as at September 30, 2010.

Capital Stock Information

During the first quarter of 2011 and subsequent to the first closing of the 2010 private placement, the Company issued 7,400,000 Class A shares for a cash consideration of \$4,440,000.

Considering this issue, the Company's capital stock consisted of 83,325,912 Class A shares as at September 30, 2010 – 84,825,912 shares at the date of this Management's Report – compared with 75,925,912 Class A shares as at June 30, 2010.

Contractual Commitments

As at September 30, 2010, the balance of all the Company's contractual commitments, including leases, contractual obligations and other contractual obligations (other long-term liabilities) from continuing operations maturing up to 2020 totalled \$9.0 million. The table below presents the breakdown of required minimum annual payments:

	2011	2012	2013	2014	2015	Thereafter
Leases	\$ 736,606	\$ 704,434	\$ 707,844	\$ 693,079	\$ 659,081	\$ 2,470,383
Contractual obligations	\$ 706,562	\$ 696,884	\$ 287,911	\$ 56,659	\$ 56,659	\$ 51,937
Other long-term obligations	\$ 484,562	\$ 308,218	\$ 105,022	\$ 40,000	\$ 40,000	\$ 240,332
Total	\$ 1,927,730	\$ 1,709,536	\$ 1,100,777	\$ 789,738	\$ 755,740	\$ 2,762,653

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 are positive and the working capital exceeds \$6 million. Under the terms of the agreement, the Company will continue to pay the royalties up to a maximum of \$520,000. As at September 30, 2010, no payments had yet been made pursuant to this agreement.

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 and any other patent ensuing from the same invention. During the first quarter of 2011, no payments were made under the terms of this agreement, whereas an amount of \$10,045 had been paid during the first quarter of 2010.

Related-Party Transactions

During the first quarter of 2011, the Company granted a mandate for the sale of its two buildings to a corporation of which one of the officers is also a director of the Company. This mandate will entail a 5% commission on the selling price upon the disposal of the buildings.

Sources and Requirements of Funds

Since our inception, we have incurred several operating losses related mainly to our product development and commercialization-related expenses. As at September 30, 2010, our deficit amounted to \$90.4 million and we had \$6.1 million in cash, cash equivalents, deposit in trust and short-term investments. Up to now, we have had recourse to public investments and private placements to finance our growth. In October 2009, we closed a best efforts private placement for total gross proceeds of \$15.7 million. On September 30, 2010, we proceeded with a first closing of \$4,440,000 in connection with the 2010 private placement. On October 29, 2010, we proceeded with a second closing of \$900,000. Furthermore, the private placement has been extended to December 10, 2010. We closely monitor our capital and financial position and, as and when we pursue our growth, we will also be able to take further advantage of debt financing to finance our future projects.

As at September 30, 2010, Noveko had a credit facility on demand of \$500,000 that was unused. This credit, bearing interest at the prime rate of the financial institution plus 2.0%, is secured by an immovable hypothec on a building held by the Company that had a net book value of \$1,317,755 as at September 30, 2010. Noveko also had a receivable purchase facility of \$3 million as at September 30, 2010. Epurair had a credit facility on demand of \$250,000, of which \$208,213 was used as at September 30, 2010. This credit, bearing interest at the prime rate of the financial institution plus 1.5%, is renegotiable annually. According to the covenants of this credit facility, the loan is limited to a value of accounts receivable and inventories and Epurair must maintain a minimum current ratio, debt-to-equity ratio and net worth of \$400,000. As at September 30, 2010, the subsidiary did not meet the minimum current ratio and debt-to-equity ratio. These defaults do not affect Epurair's long-term debt and as of the date hereof, they have not been remedied nor the lending conditions have been renegotiated. ECM had a credit facility on demand of 50,000 € that was used as at September 30, 2010. This credit bears interest at the prime rate of the financial institution plus 1.2%. For its part, BLI had a credit facility on demand of \$1,350,000, of which \$1,268,065 was used as at September 30, 2010. This credit, bearing interest at the prime rate of the financial institution plus 1.25%, is secured by a movable hypothec on the universality of BLI's receivables, by a first-ranking movable hypothec on the universality of BLI's inventories, by a 45% loan guarantee of Investissement Québec and by the guarantee of the Company.

Our capacity to generate profits and positive working capital in the future depends on a number of factors, including our ability to develop new technologies and new products, the pace of penetration of our products in their respective target markets, the intensity of the competition and the availability of additional capital to pursue our business plan. An incapacity to generate funds from our operations would have a material impact on our business, our operating results and our financial position.

Based on our expected cash flows and cash position, and in light of the risks and uncertainties to which we are regularly exposed, as set forth in our continuous disclosure filings, we will need to raise supplementary funds in the future to continue our product development and marketing. In this regard, the reader is also referred to Section 6 *Outlook* of this Management's Report. Should we be unable to raise additional capital, or should it become too costly to do so, we would be unable to maintain our activities at their current level, or we might have to delay or revise downward our commercialization or development programs in progress.

Events Subsequent to Balance Sheet Date

On October 29, 2010, we proceeded with a second closing in connection with the 2010 private placement and issued 1,500,000 Class A shares at a price of \$0.60 per share for a cash consideration of \$900,000. On September 30, 2010, we had proceeded with a first closing of \$4,440,000. Furthermore, the private placement has been extended to December 10, 2010. The net proceeds from this offering will be used to pursue our growth objectives, mainly in the filtration segment, as well as for general working capital purposes.

6. OUTLOOK

Consistent with our corporate vision, we will continue to prioritize the development and commercialization of our products with antimicrobial properties. To that end, we are carrying on our efforts to forge partnerships that will foster their more efficient production and their distribution on a wider scale. We are also further increasing our market share in ultrasound scanners for human and veterinary medicine.

Given the major breakthroughs achieved in recent quarters by our *filtration solutions*, we expect air filters to represent our primary growth driver over the medium and long term. We also foresee that promising advances will be realized throughout fiscal 2011 in the commercialization of our new applications in the buildings and rail transportation fields.

In the buildings segment, especially the *institutional and commercial markets*, we believe there is great potential, within the near term, for us to win other contracts similar to those concluded during fiscal 2010 and for which we proved we offer an effective, cost-efficient and eco-friendly solution ideal for any building as part of a sustainable development strategy. This outlook is notably based on the numerous meetings and calls for tenders from real estate groups interested in our filtration solutions.

In *air filters for the transportation industry*, the agreement signed with Bombardier Transportation sets the stage for the development of a highly promising market, although the benefits of this agreement will only gradually materialize. Marketing efforts in this field are focused initially on the North American market. Furthermore, various parties in the rail transportation industry have indicated they are interested in our filtration solutions. In the aeronautics segment, despite certain execution delays, we are continuing the required tests for the purposes of obtaining “STC” certification for our filters from Transport Canada. However, we do not anticipate any significant revenues in this regard for fiscal 2011.

In *air filters for farm buildings*, several signs allow us to look forward to an improvement in our business during fiscal 2011. This outlook is based notably on the volume of inquiries and calls for tenders with regard to our filtration solutions from producers, who increasingly recognize that a bio-safety program is an important part of a sustainable development program and, in this context, our new-generation filtration solutions are attracting great interest.

With regard to the commercialization of our *surgical masks and respirators*, we are confident that by deploying further efforts to team up with partners in order to drive the development and distribution of our patented antimicrobial filtration technologies, either through licence agreements or business partnerships, we will implement a more sustainable marketing strategy that is better aligned with our corporate mission. We are carrying on our efforts to that end and are in talks with a number of parties interested in our technologies. The grant of FFP2 classification for our antimicrobial respirator gives us access to the great potential represented by the European Union and other territories that recognize European standards *de facto*. In North America, we remain subject to obtaining the certifications required or sought in practice by buyers and cannot guarantee the outcome of our initiatives to that end. We are looking into various partnership opportunities in this regard as well.

As for the commercialization of our *hand sanitizers*, the recently signed orders and agreements encourage us to look forward to a certain resumption of our marketing activities this segment. However, that could take longer than expected. This outlook is based notably on the interest expressed by several parties in this product line.

We expect that our *medical equipment* segment will further improve its sales and profitability. ECM has just recently brought the Exago™ to market in human medicine; following the market launch of the Exagyne™ during fiscal 2011, the subsidiary will offer a full range of ultrasound scanners for use in human medicine. It also continues to enhance its already enviable positioning in ultrasound scanners for use in veterinary medicine, notably with its Agrosan™ ultrasound scanners and its new-generation ultrasound scanners. Finally, Noveko Algérie should reap the benefits of the supply of medical equipment to Algeria.

We will continue to focus particular attention on improving our operational efficiency and on developing products and markets driving our growth based on our strategic priorities. We maintain our objective of reaching the break-even point during fiscal 2011. However, the achievement of this objective will depend notably on our success in formalizing existing agreements and in pursuing and intensifying the development and marketing of our products and solutions.

We wish to point out that the achievement of this outlook is also subject to certain fluctuations related to economic conditions, exchange rate variations, the execution schedule of agreements and order deliveries, our ability to conclude additional licence and distribution agreements and to obtain the required regulatory approvals for certain products, as well as the other risks and uncertainties to which we are regularly exposed, as set forth in our continuous disclosure filings.

Considering the various factors previously mentioned in this Management's Report, we have successfully raised the additional funds needed to pursue our product development and marketing. To that end, the 2010 private placement has thus far yielded gross proceeds of \$5.3 million. It has also been extended to December 10, 2010.

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

Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") designed to provide reasonable assurance that the information we are required to disclose in our annual filings, interim filings and other reports (the "reports") filed or submitted 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 the information required to be disclosed by an issuer in the reports filed or submitted under the applicable securities legislation is accumulated and communicated to the issuer's management, including its Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

As at September 30, 2010, an evaluation was carried out, under the supervision of and with the participation of our management, including the President and Chief Executive Officer and the Chief Financial Officer, of the design and effectiveness of our disclosure controls and procedures as defined under NI 52-109. 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).

Upon such review, the Chairman of the Board and Chief Executive Officer and the Chief Financial Officer determined that there were material weaknesses in the design of our DC&P. However, the DC&P deficiencies we identified did not result in adjustments to our interim consolidated financial statements for the first quarters of 2011 and 2010. We have identified the following material weaknesses:

Entity Level Controls

We did not maintain a completely effective control environment as defined in accordance with COSO control framework. Specifically, we do not have comprehensive procedure manuals to clearly communicate management's and employees' roles and responsibilities in our internal control over financial reporting. To mitigate the risk, management relies heavily on manual procedures and detection controls, management meetings, quarterly reviews of financial statements by our subsidiaries and by the Audit Committee. These manual procedures were performed during the interim periods ended September 30, 2010 and 2009.

Acquisitions over the Previous Two Fiscal Years

We also carried out an evaluation of the material weaknesses relating to the design of our DC&P as of September 30, 2010 for Noveko Algérie and Purer Life, acquired on July 17 and August 1, 2008 respectively. We determined that risks exist with respect to these two entities that could reasonably result in a material misstatement in their interim filings. Since the end of fiscal 2009, the certifying officers no longer limit the scope of the design of the DC&P with respect to Noveko Algérie and Purer Life as defined by NI 52-109. Accordingly, the controls, policies and procedures of these acquired entities are no longer excluded from the management's evaluation of the design of the Company's DC&P.

Internal Control over Financial Reporting

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

We carried out an evaluation of our ICFR, under the supervision of and with the participation of our management, including our Chairman of the Board and Chief Executive Officer and our Chief Financial Officer as to the material weaknesses relating to the design of our ICFR as of September 30, 2010. This evaluation was based on the Internal Control-Integrated Framework issued by the 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 our management as appropriate to allow discussions regarding required disclosure. Upon such review, our Chairman of the Board and Chief Executive Officer and Chief Financial Officer have determined that there existed material weaknesses in the design of our ICFR. The ICFR weaknesses we identified did not result in adjustments to our interim consolidated financial statements for the first quarters of 2011 and 2010. Following our assessment, we identified the following material weaknesses:

Information Technology General Controls

We did not adequately maintain effective control over access to our accounting system within our accounting department. In addition, the backup tapes were not periodically tested to ensure their accuracy and there is no information technology strategic plan and no business continuity plan. There is also no periodic review performed on the security logs for failed logins. We are actually in the process of implementing controls over program development and program changes.

The potential ability for someone to improperly access and change accounting records is mitigated by the fact that management relies heavily on manual procedures and detection controls, and quarterly reviews of financial statements by management and by the Audit Committee.

Inventory Management and Control

We did not maintain effective controls over the management process with respect to some of our inventories. More specifically, controls were not in place to ensure that (i) journal entries presenting inventory movements are reviewed by a person other than the preparer; (ii) sufficiently trained personnel is responsible for inventory management; and (iii) access to the physical inventory is restricted to appropriate personnel. These weaknesses could result in material misstatements in amounts reported for some of the Company's inventories.

Segregation of Duties

We have deficient controls within our accounting department over segregation of duties inherent to the department's size. Specifically, as a result of the limited number of personnel in the accounting department, certain financial personnel had incompatible duties that allowed for the creation, review and processing of certain financial data without independent review and authorization. To mitigate the risk, our management relies heavily on manual procedures and detection controls, regular management meetings, as well as reviews of our financial statements by subsidiaries and by the Audit Committee. These manual procedures were performed for the periods ended September 30, 2010 and 2009.

Acquisitions over the Previous Two Fiscal Years

We also carried out an evaluation of the material weaknesses of our ICFR as of September 30, 2010 for Noveko Algérie and Purer Life. We determined that risks exist with respect to these two entities that could reasonably result in a material misstatement in their interim filings. Since the end of fiscal 2009, the certifying officers no longer limit the scope of their design of ICFR for Noveko Algérie and Purer Life as defined by NI 52-109. Accordingly, the controls, policies and procedures of these acquired entities are no longer excluded from management's evaluation of the design of the Company's ICFR.

Remediation of Material Weaknesses in Internal Control over Financial Reporting and Disclosure Controls

We have initiated the following actions to address the material weaknesses in our DC&P and ICFR identified as of September 30, 2010.

Entity Level Controls

Our Management and Audit Committee have taken an active role in responding to the deficiencies identified, including overseeing management's implementation of the remedial measures described below.

Information Technology General Controls

We will implement enhanced information technology policies and procedures specifically with regard to inventory controls and to the system's change management, program development, access over end-of-period process spreadsheets, IT operations and related monitoring. We are completing the implementation of a new accounting system that will overcome the accounting system inventory controls and access deficiencies. We will also develop and implement a global information technology strategic plan and a business continuity plan.

Inventory Management and Control

To ensure better control over the management of some of our inventories, we have implemented stricter control measures and reviewed all the inventory transactions that occurred during the first quarter of 2011. We have also hired additional personnel with the appropriate training to remedy this weakness.

Inadequate Segregation of Duties

We will continue to use appropriate measures to restrict or independently monitor systems access and properly assign job roles and responsibilities to employees to ensure the proper segregation of duties where feasible. As the Company grows, we will expand the number of individuals involved in the accounting function.

Acquisitions over the Previous Two Fiscal Years

In upcoming quarters, the Company will continue to integrate the subsidiaries Purer Life and Noveko Algérie into its controls and procedures framework, as it did for its other subsidiaries. Control visits started during the fiscal year ended June 30, 2010. Further visits will also be needed and will be conducted in the near term to provide the personnel involved with the tools required for the evaluation of – and compliance with – the controls and procedures framework adopted by the Company.

We realize that some of the above weaknesses are inherent to a company of our size. Nevertheless, we believe in and are committed to establishing rigorous DC&P and ICFF. It will take time to put in place the rigorous controls and procedures desired by our management and Board of Directors. We cannot at this time estimate how long it will take to complete the steps identified above. Our management will continue to evaluate the effectiveness of our overall control environment and will continue to refine existing controls as they, in conjunction with our Audit Committee, Chairman of the Board and Chief Executive Officer and Chief Financial Officer, think necessary. Again, the control deficiencies which we identified did not result in adjustments to our interim consolidated financial statements for the first quarter of 2011 or any previous periods.

Other than the remediation efforts discussed above and the implementation of the Company's' ICFR, there have been no changes in our ICFR that occurred since the beginning of the interim period ended September 30, 2010 that have materially affected or are reasonably likely to materially affect our ICFR. Our management, including our Chairman of the Board and Chief Executive Officer and our Chief Financial Officer, has discussed these issues and remediation efforts with our Audit Committee.

We will provide updates on the remediation plan in our quarterly and annual management's reports.

It should be noted that while our 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.

8. RISKS AND UNCERTAINTIES

An investment in our securities involves a high degree of risk and should be considered speculative due to the nature of our business and the businesses of our subsidiaries and their current respective stage of development. Before making any decision to purchase or to sell any of our securities, you should carefully consider the complete statement of the risk factors and uncertainties described in the Management's Report and Annual Information Form for fiscal 2010. It should however be noted that, during the first quarter of 2011, the Company has initiated a process of review and management of its risks.

9. CHANGES IN ACCOUNTING POLICIES

Effective July 1st, 2010, the Company adopted by anticipation new accounting recommendations from the Canadian Institute of Chartered Accountants (CICA), Handbook Section 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests".

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

Section 1582 applies to a transaction in which the acquirer obtains control of one or more businesses. The term "business" is more broadly defined than in the previous standard. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, are measured at fair value. Any interest in the acquiree owned prior to obtaining control will be revalued 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. This new recommendation had no significant impact on the Company's financial statements.

Under Section 1602, any non-controlling interest is recognized as a separate component of shareholders' equity. Net income is calculated without deduction for the non-controlling interest. Rather, net income is allocated between the controlling and non-controlling interests. This new recommendation had no significant impact on the Company's financial statements.

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 replaced the Section 3062, "Goodwill and Other Intangible Assets", had no significant impact on the Company's financial statements.

Effective July 1st, 2009, the Company adopted the amendments of CICA Handbook Section 3862 "Financial Instruments – Disclosure". This section has been amended to improve the communication of information related to the fair value evaluation of financial instruments. All the new financial disclosure requirements related to this section are presented in note 1 b) Accounting policies – Financial instruments and note 28 Financial Instruments accompanying the financial statements. These amendments did not affect the consolidated financial results.

Effective July 1st, 2009, in connection with the implementation of the new accounting software and in an effort to harmonize its accounting policies for all of its subsidiaries, the Company changed its costing method for raw materials, work in process and finished goods for certain subsidiaries. Thus, Epurair, which used first in, first out method to value its raw materials is now using the average cost method. Also, Noveko and Epurair, which used the standard cost method to value their finished goods and work in process are now using the average cost method. Since financial data were not readily available at a reasonable effort, the changes were not applied retroactively and comparative figures were not restated.

Future Changes in Accounting Policies

Transition to International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board confirmed that GAAP, as used by publicly accountable enterprises, will be superseded, for fiscal years beginning on or after January 1st, 2001 (the "changeover"), by International Financial Reporting Standards ("IFRS"), which include the International Accounting Standards ("IAS") where appropriate.

For the Company, the changeover to IFRS will be required for interim and annual financial statements for periods beginning July 1st, 2011 (the "changeover date"). In the Company's financial statements presented during periods prior to the changeover date, the Company will be required to present comparative data for the equivalent periods of the previous year and at the transition date, being July 1st, 2010 (the "transition date"). Accordingly, the Company will be required to restate the corresponding figures for fiscal 2011 and the opening balance sheet.

IFRS use a conceptual framework similar to GAAP, but involve major differences in regard to recognition, measurement, presentation and disclosure. The Company must apply the same accounting practices in to its opening balance sheet and for all periods presented in its first IFRS financial statements. However, readers are cautioned that IFRS at the date of the first IFRS financial statements may differ from current IFRS due to new IFRS standards and pronouncements that could come into effect between now and then.

Pursuant to Canadian Securities Administrators Staff Notice 52-320, *Disclosure of Expected Changes in Accounting Policies Relating to Changeover to IFRS*, we present the following information regarding our IFRS changeover plan (the "changeover plan"). This information is provided to allow investors and other readers to obtain a better understanding of our changeover plan and its impact on our financial statements. However, readers are cautioned that it may not be appropriate to use this information for other purposes. Although this information also reflects our most recent assumptions and expectations, circumstances such as changes in IFRS, regulations or economic conditions may arise which could change these assumptions and expectations.

As part of our changeover plan, we have set up a dedicated IFRS team that notably includes external consultants. A detailed analysis of the differences between the accounting policies applied by the Company and IFRS is in progress and will give rise to an IFRS impact assessment report on the Company. Our plan incorporates the following key items: (i) accounting policies and financial statements, including selection of policies permitted under IFRS, and implementation of decisions, such as whether certain changes will be applied on a retrospective or prospective basis; (ii) information technology and data systems; (iii) internal control over financial reporting (ICFR) and disclosure controls and procedures (DC&P); (iv) financial reporting and disclosure expertise and training, including investor relations and external communications plans; and (v) business activities.

Throughout fiscal 2011, we will continue to review the IFRS standards for their application to our operations, carry out impact assessments and provide the required targeted training. We will also make our accounting policy decisions and prepare our accounting systems accordingly, to allow preparation of our opening balance sheet under IFRS as at July 1st, 2010.

Material Differences Compared with Current Accounting Policies

We are therefore in the process of determining the material differences between our accounting policies and IFRS as well as selecting and approving the related alternatives. The detailed analysis and accounting policy decision-making have not been completed. Although we continue to assess the impact of IFRS, further progress will be required before we can issue a statement on the specific impact of adopting IFRS and the quantification thereof. Nevertheless, the Company estimates that material differences will arise or are likely to arise in the following accounting areas and, in cases where decisions have been made, analyses of their impact are presented below:

- **IFRS 1**, *First-Time Adoption of International Financial Reporting Standards*
- **IFRS 2**, *Share-Based Payment*
- **IFRS 3**, *Business Combinations*
- **IAS 21**, *Effects of Changes in Foreign Exchange Rates*
- **IAS 36**, *Impairment of Assets*
- **IAS 37**, *Provisions, Contingent Liabilities and Contingent Assets*

The following analysis does not aim to provide a complete list of all relevant differences between GAAP and IFRS. Solely the notable differences that will give rise to major financial statement adjustments or add material difficulties to the current disclosure context have been targeted.

IFRS 1, First-Time Adoption of International Financial Reporting Standards

IFRS 1 deals with the transition of an entity's current financial reporting standard to IFRS. The general IFRS 1 requirement is to retrospectively apply IFRS upon the first-time application. However, IFRS 1 offers entities adopting IFRS for the first time (a "first-time adopter") a number of optional exemptions and mandatory exceptions to the complete retroactive restatement. The Company has assessed and selected certain exemptions to the retrospective application of IFRS standards, as set forth in the table below:

Exemption	Application
IFRS 2, <i>Share-Based Payment</i>	<p>A first-time adopter is encouraged, but not required, to apply IFRS 2 to equity instruments granted no later than November 7, 2002. A first-time adopter is also encouraged, but not required, to apply IFRS 2 to equity instruments granted after November 7, 2002 and vested before the IFRS transition date.</p> <p>We have opted to avail ourselves of the exemption allowed under IFRS 1. We will therefore apply IFRS 2 to all equity instruments granted after November 7, 2002 and not yet vested as of July 1st, 2010. We will also apply IFRS 2 to all equity instrument grants as of July 1st, 2010.</p>

<p>IFRS 3, Business Combinations</p>	<p>IFRS 1 allows a first-time adopter to apply IFRS 3 retrospectively to all combinations, on a retrospective basis as of a certain date or prospectively.</p> <p>We have opted to apply IFRS 3 prospectively. Accordingly, no accounting adjustment will be made to business combinations to account for the differences between GAAP and IFRS prior to July 1st, 2010, being the transition date. Consequently, there will be no restatement of goodwill or intangible assets prior to the transition. However, the reader should refer to the <i>IFRS 3, Business Combinations</i> section of the following table with regard to CICA Handbook Section 1582.</p>
<p>IAS 21, Effects of Changes in Foreign Exchange Rates</p>	<p>IFRS 1 allows an entity to recognize all the translation adjustments of foreign operations in retained earnings and to deem as nil the accumulated adjustments to the translation of currencies prior to the transition date.</p> <p>We have opted to apply this exemption.</p>

The table below presents certain of the most relevant differences between GAAP and IFRS, but it should not be considered an exhaustive and definitive list.

Exemption	Application
<p>IFRS 2, Share-Based Payment</p>	<p>For share options of which the rights vest by instalments, IFRS require the use of the graded vesting method, based on which each instalment must be treated as a separate award having its own fair value. However, GAAP give an entity the option of using the graded vesting method or the straight-line amortization method, which uses the single account approach and allows charges to be recognized equally over the life of the award. In conformity with GAAP, we are in the process of assessing the fair value of options as a single award using the Black-Scholes valuation model.</p> <p>We are in the process of assessing the impact of the revaluation of options as separate awards rather than as a single award. As previously mentioned, we intend to use the exemption allowed under IFRS in regard to stock-based compensation.</p>
<p>IFRS 3, Business Combinations</p>	<p>Acquisition costs (other than the costs related to debt security and equity security issues) must be expensed under IFRS, contrary to the current practice under GAAP, which allows them to be capitalized under certain conditions. Retirement, termination and reassignment costs are usually expensed under IFRS, unless, at the acquisition date, the acquired entity has already recognized a liability as restructuring costs in conformity with IAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i>. Under GAAP, an entity would usually have the right to capitalize such costs based on less strict guidelines.</p> <p>We will not restate acquisitions-related assets, including goodwill and intangible assets, in respect of prior business combinations because, as previously mentioned, IFRS 1 allows the prospective application of IFRS 3. Also, CICA Handbook Section 1582 released in January 2009 (refer to the <i>Other Future Changes in Accounting Policies</i> section) is fundamentally consistent with IFRS 3. Section 1582 applies to the first fiscal year beginning on or after January 1st, 2011. We have opted for early adoption of Section 1582 for fiscal 2011. Accordingly, this section would apply to acquisitions completed as of July 1st, 2010, if any. Consequently, we will avoid having to make accounting adjustments to account for the differences between GAAP and IFRS for business combinations that could be completed, if any, between July 1st, 2010 and July 1st, 2011.</p>
<p>IAS 21, Effects of Changes in Foreign Exchange Rates</p>	<p>Under GAAP, an entity determines the functional currency of a foreign operation as an integrated or self-sustaining operation and translates it using the temporal method or the closing price method. None of the factors is predominant for determining the functional currency of a foreign operation. IFRS do not consider the concept of an integrated or self-sustaining entity. An entity must determine its own functional currency and that of all its subsidiaries and joint ventures. There is a hierarchy of criteria that are similar to GAAP.</p> <p>We are in the process of assessing whether there is a change in the functional currency of our subsidiaries or the accounting policy for the translation of currency transactions and, if applicable, the impact of such change.</p>

**IAS 36,
Impairment of Assets**

Under effective GAAP, amortizable capital assets and intangible assets are tested for impairment when circumstances suggest that the recoverable amount is less than the carrying amount of the asset. GAAP use a two-step approach. In step one, the carrying amount of the asset is compared to its undiscounted cash flows. In step two, when the carrying amount exceeds the step-one undiscounted cash flows, the value of the asset is reduced to its fair value, based on discounted cash flows. Under IFRS, the notion of impairment is similar but definition and calculation of the recoverable value differ. IAS 36 requires that at every reporting date, an entity assess whether an asset should be recognized as impaired. IFRS define recoverable amount as the higher of (a) fair value less costs to sell and (b) the value in use (which represents the discounted value of future cash flows). Accordingly, impairments may be recorded more frequently under IFRS than under GAAP. However, unlike GAAP, IAS 36 requires the reversal of past impairment losses when circumstances requiring the recognition of an impairment have changed.

We are in the process of assessing the impact of this standard on our current impairment testing models.

**IAS 37,
Provisions, Contingent Liabilities and
Contingent Assets**

IAS 37 requires that a provision be recognized when (a) there is a current obligation resulting from a past event; (b) it is likely that an outlay will be necessary to settle the obligation; and (c) a reasonable estimate of the obligation can be made. In this context, "likely" means "more likely than unlikely". Under GAAP, the criterion for recognition in the financial statements is a "likely" threshold, which is a higher recognition threshold than "more likely than unlikely". There are other differences in regard to the assessment of provisions, notably the methodology to determine the best estimate when several results are possible (IFRS use the median of the range, whereas GAAP use the lower end of the range). IFRS also require that the provision be discounted when the discounting effect is material.


Consequently, there may be possible obligations that would meet IFRS recognition criteria but would not be recognized under GAAP. We are in the process of assessing the impact of this standard, notably on our legal and implicit obligations.

Progress toward Completion of our Changeover Plan

Summarized hereafter is a description of our progress toward completion of selected key activities of our changeover plan. As yet, we cannot quantify their impact on our financial statements and operational performance measures. Additional information will be provided as we move toward the changeover date.

	Key Activities	Milestones and Deadlines	Progress to Date
Accounting policies and financial statements	Identify and analyze the differences between IFRS and our accounting policies	Assessment and quantification of the significant effects to be completed during fiscal 2011	Preliminary identification of differences completed by third-party experts; assessment and review by management underway
	Quantify such differences Design and implement solutions; benchmarking with peer corporations Select the IFRS accounting policies and exemptions allowed under IFRS 1 Develop an IFRS financial statements and accompanying notes model	Final selection of accounting policy alternatives before the changeover date – during fiscal 2011	Assessment and selection of accounting policy alternatives underway; certain choices have been made as to exemptions allowed under IFRS External consultants are assisting us in the transition Expected changes in IFRS being monitored
	Prepare the opening balance sheet and compile the financial information for the preparation of comparative IFRS financial statements	During fiscal 2011	Underway
Information technology and data systems	Assess the impact of IFRS changes on data systems and processes	Changes to data systems and dual record-keeping during fiscal 2011	Impact on data systems and processes assessed concurrently with the analysis of accounting policy differences
	Selection methods to address need for dual record-keeping (under GAAP and IFRS) during fiscal 2011		Dual record-keeping solution design is underway

Internal control	<p>Assess the impact of IFRS changes on internal control over financial reporting (ICFR) and disclosure controls and procedures (DC&P)</p> <p>Design and implementation of internal controls to address significant changes and non-recurring adjustments</p>	<p>Management assessment of new or revised controls throughout fiscal 2011</p> <p>Implementation of required changes and of the Chief Executive Officer/Chief Financial Officer certification process by the fourth quarter of 2011</p>	<p>Impact on controls assessed, and design, review and implementation of internal controls to address IFRS differences concurrently with the analysis of accounting policy differences</p>
Financial reporting and disclosure expertise and training	<p>Determine training needs and provide such training to affected employees and management</p>	<p>Timely training provided to align with work under the changeover during 2010 and 2011</p> <p>Regular communications on the effects of the changeover during fiscal 2010 and 2011</p>	<p>Selected training for resources directly engaged in the changeover and general awareness to broader group of finance employees</p> <p>Periodic communications on the advancement of the work</p> <p>External experts are assisting us in the transition</p>
Business activities	<p>Assess the impact of the changeover on contractual agreements, including financial covenants and employee compensation plans</p> <p>Make any required changes to agreements</p>	<p>Changes to be completed by the fourth quarter of fiscal 2011</p>	<p>Impact on data systems and processes assessed concurrently with the analysis of accounting policy differences</p> <p>No potential impact identified to date</p>



ANDRÉ LEROUX
Chairman of the Board and
Chief Executive Officer

November 11, 2010



ÉRIC FAVREAU
Vice-President and
Chief Financial Officer