

Consolidated financial statements of

NOVEKO INTERNATIONAL INC.

Years ended June 30, 2009 and 2008

NOVEKO INTERNATIONAL INC.

Consolidated financial statements

Years ended June 30, 2009 and 2008

Financial statements

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Noveko International Inc. as at June 30, 2009 and 2008 and the consolidated statements of operations, of comprehensive income, deficit and contributed surplus and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Montréal, Canada

September 23, 2009

NOVEKO INTERNATIONAL INC.

Consolidated balance sheets
June 30, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 937,319	\$ 11,594,335
Deposit in trust	70,900	1,274,625
Short-term investments (note 8)	3,702,958	12,516,884
Accounts receivable (note 9)	3,845,527	2,939,068
Inventories (note 10)	7,288,071	4,295,672
Prepaid expenses	734,777	795,145
Current portion of assets held for sale (note 5)	1,998,371	3,750,470
	18,577,923	37,166,199
Fixed assets (note 11)	4,124,110	2,396,171
Intangible assets (note 12)	10,041,542	2,119,835
Other assets (note 13)	1,198,345	1,442,283
Future income taxes (note 30)	82,691	196,399
Goodwill (note 14)	13,035,189	13,708,240
Non-current portion of assets held for sale (note 5)	3,836,738	5,829,163
	\$ 50,896,538	\$ 62,858,290
Liabilities and shareholders' equity		
Current liabilities:		
Bank advances (note 15)	\$ -	\$ 132,108
Bank loans (note 16)	162,970	561,435
Accounts payable and accrued liabilities (note 17)	2,552,279	2,656,826
Current portion of secured convertible debentures (note 20)	964,710	-
Current portion of long-term debt (note 18)	754,584	416,944
Current portion of liabilities held for sales (note 5)	2,126,397	2,861,630
	6,560,940	6,628,943
Long-term debt (note 18)	1,455,182	973,426
Secured convertible debentures (note 20)	825,117	2,462,909
Future income taxes (note 30)	1,644,474	398,426
Non-current portion of liabilities held for sales (note 5)	1,924,217	2,621,403
Shareholders' equity:		
Capital stock (note 21)	80,768,629	70,084,061
Portion of secured convertible debentures included in equity (note 20)	372,473	611,537
Warrants (note 23)	-	85,983
Contributed surplus	18,718,376	7,967,778
Accumulated other comprehensive income (loss) (note 24)	(166,928)	347,359
Deficit	(61,205,942)	(29,323,571)
	38,486,608	49,773,147
Commitments (note 25)		
Subsequent events (note 31)		
	\$ 50,896,538	\$ 62,858,290

See accompanying notes to consolidated financial statements.

ON BEHALF OF THE BOARD,

(signed) *André Leroux*, Director

(signed) *Moïse Moghrabi*, Director

NOVEKO INTERNATIONAL INC.

Consolidated statements of operations

Years ended June 30, 2009 and 2008

	2009	2008
Revenues	\$ 12,162,314	\$ 7,427,963
Cost of sales	6,681,206	3,778,387
	5,481,108	3,649,576
Operating expenses:		
Administrative and selling expenses	15,320,326	9,693,075
Stock-based compensation	11,036,909	7,229,294
Research and development	1,247,938	983,975
Research and development tax credits	(544,776)	(265,500)
	27,060,397	17,640,844
Loss before amortization, financial fees, income taxes, other items and discontinued operations	(21,579,289)	(13,991,268)
Amortization (note 6)	2,038,401	361,055
Financial expenses less investments revenues (note 6)	2,246,674	(57,835)
Goodwill impairment charge (note 14)	3,600,000	-
	7,885,075	303,220
Loss before income taxes	(29,464,364)	(14,294,488)
Income taxes (note 30):		
Current (recovered)	(348,246)	(159,589)
Future	(256,407)	(64,171)
	(604,653)	(223,760)
Net loss from continuing operations	(28,859,711)	(14,070,728)
Net loss from discontinued operations (note 5)	(3,015,903)	(2,542,660)
Net loss	\$ (31,875,614)	\$ (16,613,388)
Basic and diluted loss per share:		
From continuing operations	\$ (0.43)	\$ (0.26)
From discontinued operations	\$ (0.05)	\$ (0.04)
Net loss	\$ (0.48)	\$ (0.30)
Weighted average number of outstanding shares, basic and diluted	66,610,725	54,767,174

See accompanying notes to consolidated financial statements.

NOVEKO INTERNATIONAL INC.

Consolidated statements of comprehensive loss

Years ended June 30, 2009 and 2008

	2009	2008
Net loss	\$ (31,875,614)	\$ (16,613,388)
Other comprehensive income, net of income taxes:		
Change in unrealized gains (losses) on translation of financial statements of self-sustaining foreign operations	514,287	(806,333)
Comprehensive loss	\$ (31,361,327)	\$ (17,419,721)

See accompanying notes to consolidated financial statements.

NOVEKO INTERNATIONAL INC.

Consolidated statements of deficit and contributed surplus

Years ended June 30, 2009 and 2008

	2009	2008
DEFICIT		
Deficit, beginning of year	\$ (29,323,571)	\$ (12,672,254)
Restatement related to the adoption of new accounting policies (note 2 and note 1b))	49,243	3,161
Restated balance	(29,274,328)	(12,669,093)
Net loss	(31,875,614)	(16,613,388)
Share issuance fees	(56,000)	(41,090)
Deficit, end of year	\$ (61,205,942)	\$ (29,323,571)
CONTRIBUTED SURPLUS		
Contributed surplus, beginning of year	\$ 7,967,778	\$ 1,325,504
Fair value of stock options granted	11,050,909	7,427,627
Warrants expired	-	13,014
Fair value of stock options exercised	(300,311)	(798,367)
Contributed surplus, end of year	\$ 18,718,376	\$ 7,967,778

See accompanying notes to consolidated financial statements.

NOVEKO INTERNATIONAL INC.

Consolidated statements of cash flows

Years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Net loss	\$ (31,875,614)	\$ (16,613,388)
Adjustments for:		
Loss from discontinued operations	3,015,903	2,542,660
Future income taxes	(256,407)	(64,171)
Accreted interest on secured convertible debentures	267,531	455,444
Stock-based compensation	11,036,909	7,229,294
Gain on disposal of fixed assets	(7,231)	-
Amortization	2,134,489	361,055
Goodwill impairment charge	3,600,000	-
Fair value adjustment on foreign denominated currency contracts	(76,885)	-
Loss (gain) on fair value of short-term investments	(838)	125,329
Foreign exchange gain on disposal of short-term investments	(579,292)	-
Foreign exchange loss (gain)	6,175	(1,653)
	(12,735,260)	(5,965,430)
Net change in non-cash working capital	(1,217,762)	(3,020,994)
	(13,953,022)	(8,986,424)
Cash flows from financing activities:		
Net changes in bank advances	(132,108)	68,020
Net changes in bank loan	(407,425)	561,435
Increase in long-term debt	181,766	208,533
Repayment of long-term debt	(459,236)	(627,314)
Interest paid on secured convertible debentures	(165,660)	(212,727)
Proceeds from Class A shares and warrants issued	4,019,157	21,002,580
Class A shares issue expenses	(12,800)	(41,090)
	3,023,694	20,959,437
Cash flows from investing activities:		
Business acquisitions (note 4)	(5,936,483)	(576,474)
Acquisition of short-term investments	(61,566,736)	(65,244,308)
Proceeds from disposal of short-term investments	70,033,630	66,875,738
Acquisition of fixed assets	(689,722)	(1,832,125)
Proceeds from disposal of fixed assets	8,859	-
Acquisition of intangible assets	(429,536)	(98,067)
Acquisition of other assets	(58,150)	(368,883)
Deposit in trust	1,685	(1,274,625)
Deferred development costs, net of related research tax credits received	(342,183)	(348,154)
	1,021,364	(2,866,898)
Cash generated (used) by continuing operations	(9,907,964)	9,106,115
Cash used by discontinued operations	(735,541)	(264,450)
	(10,643,505)	8,841,665
Foreign exchange gain (loss) on cash in foreign currencies	(13,511)	84,176
Increase (decrease) in cash and cash equivalents	(10,657,016)	8,925,841
Cash and cash equivalents, beginning of year	11,594,335	2,668,494
Cash and cash equivalents, end of year	\$ 937,319	\$ 11,594,335

Cash flows related to continuing operating activities include interest paid of \$111,720 (\$256,306 in 2008) and income taxes received for \$258,763 (\$225,336 in 2008).

For non-cash activities, see note 7.

See accompanying notes to consolidated financial statements.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

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

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

1. Significant accounting policies:

a) Consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Noveko Inc., S.A.S. E.C.M, Bolduc Leroux Inc., Laboratoire SyMa Inc., Noveko Trading 2008 LLC, Magnum Pharmaceuticals Inc, Unitam International Management Corporation Inc., SARL Noveko Algérie, Groupe Conseils Micron-Air Inc., Gestion Simon Labrecque Inc., Industries Epurair Ltd, Purer Life Technology Co., Ltd., U-Bond Inc. and Noveko Taiwan Co., Ltd.

b) Financial Instruments:

Financial instruments are classified as: held-for-trading, financial assets available-for-sale, investments held-to-maturity, loans and receivables, or other financial liabilities. The financial assets and liabilities are initially recorded at fair value. Subsequent measurement and changes in fair value will depend on their initial classification.

- i) Financial assets and financial liabilities held-for-trading are measured at fair value with changes recognized in income. Cash and cash equivalents, deposit in trust and short-term investments were classified in this category

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

1. Significant accounting policies (cont'd):

b) Financial Instruments (cont'd):

- ii) Available-for-sale financial assets are measured at fair value or at cost, in the case of financial assets that do not have a quoted market price in an active market, and changes in fair value are recorded in comprehensive income
- iii) Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost, using the effective interest amortization method. Accounts receivable were classified as loans and receivable whereas bank advances, bank loans, accounts payable and accrued liabilities, current portion of long term-debt, long-term debt and the convertible debentures were classified as other financial liabilities.

Derivative financial instruments are classified as held-for-trading and are measured at their fair value.

The adoption of these standards during the year ended June 30, 2008 resulted in a decrease of the opening deficit of \$3,161.

c) Cash and cash equivalents:

Cash and cash equivalents include cash and highly liquid investments purchased three months or less from maturity, and they are stated at cost, which approximates market value.

d) Short-term investments:

The short term investments, comprised of shares, bonds and term deposits, are financial instruments classified as held-for-trading, and as such, are valued at their fair value at each balance sheet date. Any changes in fair value are recorded to the net profit (loss) in the year where these changes occur.

e) Inventory:

Raw materials are valued at the lower of cost (average cost method for Noveko Inc., S.A.S. E.C.M. and Purer Life Technology Co., Ltd and first-in, first-out method for Bolduc Leroux Inc., Laboratoire SyMa Inc. and Groupe Conseils Micron-Air Inc.) and net realizable value.

Work in process and finished goods are valued at the lower of cost (standard cost method for Noveko Inc., S.A.S. E.C.M., Laboratoire SyMa Inc., Groupe Conseil Micron-Air Inc., Noveko Taiwan Co. Ltd and Purer Life Technology Co., Ltd, actual cost method for Bolduc Leroux Inc. and first-in, frist out method for SARL Noveko Algérie) and net realizable value. Cost includes raw materials, the cost of direct labor applied to the products and applicable share of overhead expenses.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

1. Significant accounting policies (cont'd):

f) Fixed assets:

Fixed assets are recorded at cost, net of related research and development tax credits and other government assistance. Amortization is provided for using the methods, periods and rates over their useful lives as follows:

Asset	Method	Rate/Period
Building	Declining balance	4%
Furniture and fixtures	Declining balance or straight-line	20% 5 years
Machinery and equipment	Declining balance or straight-line	10%, 20% and 30% 5 years
Computer equipment	Declining balance or straight-line	30% and 45 % 3 years
Leasehold improvements	Straight-line	2, 5 and 10 years
Vehicles	Declining balance or straight-line	30% 4 and 5 years
Computer equipment under capital leases	Straight-line	3 years

g) Impairment of long-lived assets:

Accounting for the potential impairment of long-lived assets held for use is a two-step process: the first step determining when impairment should be recognized and the second step is to measure the amount of the impairment. First, an impairment loss is recognized when the carrying amount of an asset held for use exceeds the sum of the undiscounted cash flows expected from its use and contingent disposal. Secondly, the impairment loss is accounted for when the net book value of long-lived assets is not recoverable or exceeds the fair value of the asset.

h) Goodwill:

Goodwill represents the excess of the purchase price over the fair value of net assets of the acquired businesses. Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. When the carrying amount of a reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the statement of operations.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

1. Significant accounting policies (cont'd):

i) Intangible assets:

Intangible assets are recorded at cost and are amortized using the following methods and periods over their useful lives:

Asset	Method	Rate/Period
Web site	Straight-line	3 years
Software	Declining balance or straight-line	45 % 3 and 5 years
Customer relationships	Straight-line	5 and 7 years
Patents	Straight-line	10, 19 and 20 years
Trademarks	Straight-line	15 years
Technology	Straight-line	10 years
Non competition agreement	Straight-line	2, 5 and 10 years
Commercial agent contract	Straight-line	5 years

j) Research and development costs:

Research expenditures, net of related research tax credits, are charged to earnings in the year in which they are incurred.

Development costs of new products, net of related research and development tax credits, are accounted for as a reduction of the related charges, except when they meet the criteria for capitalization in accordance with Canadian generally accepted accounting principles. Deferred development costs are amortized on a straight-line basis over a two-year period, beginning in the first year of commercialization.

Deferred development costs are subject to a periodic review by management regarding their value and the related amortization period. Any reduction in the carrying value will be determined based on the related undiscounted future cash flows.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

1. Significant accounting policies (cont'd):

k) Convertible debentures:

Convertible debentures are classified according to their components. The financial liability representing the obligation to make the interest payments is classified as a long-term liability, and the equity component representing the conversion option and the warrants held by the holder is disclosed in shareholders' equity under "Portion of secured convertible debentures included in equity".

The value of the liability component of convertible debentures is obtained by discounting future interest and principal payments by using a rate equal to the rate of similar debentures having no conversion right. The book value of the equity component of the convertible debentures was obtained by deducting the liability component value from the consideration received for the secured convertible debentures.

Interest expenditure related to the liability component is charged to operations, and the difference between the interest expenditure and its related disbursement representing the increase in the liability component value is credited to the debentures due to time-value of money.

l) Revenue recognition:

The Company recognizes revenues when products are shipped and the customer takes ownership and assumes the risk of losses, collectibility is reasonably assured, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

The revenues from commissions on sales to manufacturers are recognized when the sale to a third party is completed, the commission has been billed and recovery is likely.

m) Warranty provision:

Some products sold by the Company are covered by a warranty. Management accounts for this provision when the products are sold to its customers. The provision is estimated based on warranty expenses incurred in past years and on management's estimates and assumptions of future warranty claims.

n) Government assistance:

Government assistance, consisting of research tax credits and grants, is recorded as a reduction of the related expense. The government assistance related to fixed assets is recorded as a reduction of the cost of the asset acquired. Government assistance is recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program or, with regard to tax credits, when there is reasonable assurance that they will be realized.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

1. Significant accounting policies (cont'd):

o) Foreign currency translation:

Financial statements of self-sustaining foreign operations are translated using the current rate method by which assets and liabilities are translated at the effective exchange rate on the balance sheet date and by using the average rates effective during the year for the revenues and expenditures. Differences resulting from these translations are deferred and recorded under currency translation adjustments in accumulated other comprehensive income in the shareholders' equity and are only included in earnings when there has been a reduction in the net investment in these foreign operations.

Transactions in foreign currencies are translated using the temporal method by which transactions are translated at the effective rate on the transaction date. Monetary assets and liabilities are translated at the effective rate on the balance sheet date, and non-monetary items are translated using the effective rate on the transaction date. Exchange gains and losses are included in the financial expenses in the statement of operations.

p) Stock based-compensation:

The Company uses the fair value based method of accounting for all options granted to its officers, directors, employees and persons providing services on a continuous basis to the Company, whereby a compensation expense is recognized over the vesting periods of the options with a corresponding increase to contributed surplus. When stock options are exercised, capital stock is credited by the sum of the consideration paid together with the related portion previously credited to contributed surplus.

q) Income taxes:

The Company uses the tax asset and liability method to account for income taxes. Under this method, future tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the carrying amounts and tax bases of assets and liabilities. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws at the date of financial statements for the years in which the temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. Future income tax assets must be recognized unless chances of realization are not more likely than not, in which case a valuation allowance is provided.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

1. Significant accounting policies (cont'd):

r) Basic and diluted earnings per share:

Earnings per share are calculated based on the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to determine the dilutive effects of stock options when calculating diluted earnings per share. Due to anti-dilution effects of stock options as the Company incurs losses, the results of diluted earnings per share and basic earnings per share are the same.

s) Comprehensive Income (loss):

Comprehensive loss is comprised of net earnings (loss) plus or minus changes in equity from transactions and other events from non-owner sources. Comprehensive loss reflects net loss and other comprehensive income (loss) for the period. Other comprehensive income (loss) includes revenues, expenses, gains and losses not recorded in net earnings (loss) such as changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, net of taxes. The components of comprehensive income (loss) are disclosed in the statement of comprehensive income (loss).

t) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the year. 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 assets and intangible assets which will be used for amortization purposes, depreciation and impairment of long-lived 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 acquisition, 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.

2. Changes in accounting policies:

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

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

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

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

Section 1535 specifies the requirements for the disclosure of both qualitative and quantitative information that enable users of financial statements to evaluate the Company's objectives, policies and processes for managing capital (see note 27).

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

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

Section 3862 and Section 3863 replace Section 3861, Financial Instruments – Disclosure and Presentation. These new recommendations relate only to disclosure requirements and had no impact on the Company's financial statements (see note 28).

3. Future changes in accounting policies:

- a) In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian Generally Accepted Accounting Principles ("GAAP"), as used by public companies, being evolved and converged with International Financial Reporting Standards ("IFRS") over a transitional period to be completed by 2011. The Company will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will convert to these new standards according to the timetable set with these rules and will closely monitor changes arising from this convergence.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

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

- b) In January 2008, the CICA issued Section 3064, *Goodwill and Intangible assets*, which provides guidance on the recognition of intangible assets and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the effects of adopting this standard.
- c) In January 2009, the CICA issued Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests".

Section 1582 will be converged with IFRS 3, "Business Combinations". Section 1601 carries forward the requirements of Section 1600, "Consolidated Financial Statements", other than those relating to non-controlling interests. Section 1602 will be converged with the requirements of 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 existing standard. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. A bargain purchase will result in recognition of a gain. Acquisition costs must be expensed.

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

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

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

4. Business acquisition and asset purchase:

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

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

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

Assets acquired:	
Cash	\$ 472
Accounts receivable	31,542
Prepaid expenses	10,605
Deposits	53,472
Fixed assets	36,892
Deferred costs	1,572
Sales agent agreement	2,355,206
	<hr/> 2,489,761
Liabilities assumed:	
Accounts payable and accrued liabilities	228,749
Long-term debt	1,138
Deferred revenues	11,533
	<hr/> 241,420
Net assets acquired at fair value	<hr/> \$ 2,248,341
Consideration:	
Cash, including acquisition fees	\$ 271,841
Class A shares issued (note 21 c) i))	1,976,500
	<hr/> \$ 2,248,341

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

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

a) Transactions during the year ended June 30, 2009 (cont'd):

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

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

Assets acquired:	
Cash	\$ 62,712
Short-term investments	8,450
Accounts receivable	227,187
Inventories	1,021,850
Prepaid expenses	71,736
Fixed assets	127,851
Intangible assets	161,651
Deferred costs	4,772
Goodwill	260,957
	<hr/>
	1,947,166
Liabilities assumed:	
Accounts payable and accrued liabilities	142,395
Advances	677,091
Future income taxes	120,654
	<hr/>
	940,140
Net assets acquired at fair value	<hr/>
	\$ 1,007,026
Consideration:	
Acquisition fees	\$ 85,906
Class A shares issued (note 21 c) ii))	921,120
	<hr/>
	\$ 1,007,026

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

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

a) Transactions during the year ended June 30, 2009 (cont'd):

iii) On July 18, 2008, the Company acquired 50% of the outstanding shares of Groupe Conseil Micron-Air Inc. and 100% of the outstanding shares of Gestion Simon Labrecque Inc., acting as a designer and manufacturer of air quality systems targeted to the residential market. Their operations were grouped in the segment "filtration". The acquisition was settled by a cash consideration of \$800,000 and by the issuance of 600,000 Class A shares amounting to \$2,302,800. The acquisition fees of \$26,171 are included in the acquisition price. The acquisition was accounted for under the purchase method, and the operating results of the subsidiary are included in the consolidated financial statements from the acquisition date.

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

Assets acquired:	
Cash	\$ 84
Accounts receivable	308,072
Inventories	533,461
Prepaid expenses	22,036
Fixed assets	1,170,262
Intangible assets	1,321,226
Goodwill	1,508,787
	<hr/> 4,863,928
Liabilities assumed:	
Bank overdraft	137,080
Accounts payable and accrued liabilities	220,910
Long-term debt	947,006
Future income taxes	429,961
	<hr/> 1,734,957
Net assets acquired at fair value	<hr/> \$ 3,128,971
Consideration:	
Cash, including acquisition fees	\$ 826,171
Class A shares issued (note 21 c) iv))	2,302,800
	<hr/> \$ 3,128,971

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

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

a) Transactions during the year ended June 30, 2009 (cont'd):

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

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

Assets acquired:	
Cash	\$ 14,417
Accounts receivable	340,631
Inventories	521,974
Prepaid expenses	23,305
Fixed assets	127,717
Intangible assets	5,580,000
Goodwill	1,224,861
	<hr/> 7,832,905
Liabilities assumed:	
Accounts payable and accrued liabilities	352,716
Deferred revenues	2,375
Future income taxes	1,192,241
	<hr/> 1,547,332
Net assets acquired at fair value	<hr/> \$ 6,285,573
Consideration:	
Cash, including acquisition fees	\$ 4,757,850
Cash, paid during the last financial exercise	1,527,723
	<hr/> \$ 6,285,573

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

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

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

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

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

Assets acquired:	
Accounts receivable	\$ 58,166
Inventories	117,922
Fixed assets	78,824
Intangible assets	575,840
Future income taxes	62,157
Goodwill	5,196,559
	<hr/>
	6,089,468
Liabilities assumed:	
Bank overdraft	8,427
Bank advances	64,088
Accounts payable and accrued liabilities	170,587
Long-term debt	209,111
Future income taxes	187,346
	<hr/>
	639,559
Net assets acquired at fair value	<hr/>
	\$ 5,449,909
Consideration:	
Cash, including acquisition fees	\$ 516,976
Class A shares issued (note 21 d) i))	4,932,933
	<hr/>
	\$ 5,449,909

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

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

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

- ii) On June 10, 2008, the Company acquired 100% of the outstanding shares of Magnum Pharmaceuticals Inc., a company focused on providing marketing services to pharmaceutical, over-the-counter drug and medical devices manufacturers and distributors. The operations of this company were grouped in the segment "other". The acquisition was settled by the issuance of 618,557 Class A shares amounting to \$3,009,279. The acquisition fees of \$35,444 are included in the acquisition price. The acquisition was accounted for under the purchase method, and the operating results of the subsidiary are included in the consolidated financial statements from the acquisition date.

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

Assets acquired:	
Accounts receivable	\$ 93,112
Prepaid expenses	15,500
Fixed assets	5,018
Intangible assets	436,000
Goodwill	2,748,872
	<hr/> 3,298,502
Liabilities assumed:	
Bank overdraft	15,627
Accounts payable and accrued liabilities	98,632
Future income taxes	139,520
	<hr/> 253,779
Net assets acquired at fair value	<hr/> \$ 3,044,723
Consideration:	
Cash, including acquisition fees	\$ 35,444
Class A shares issued (note 21 d) ii)	3,009,279
	<hr/> \$ 3,044,723

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

5. Discontinued operations and assets held for sale:

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

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

Condensed statement of operations:

	2009	2008
Revenues	\$ 5,590,137	\$ 7,087,625
Cost of sales	5,064,575	5,749,210
	525,562	1,338,415
Operating costs	1,794,238	1,552,716
Amortization	546,934	571,590
Financial fees	207,024	244,284
Income taxes	57,874	(390,250)
	2,606,070	1,978,340
	(2,080,508)	(639,925)
Goodwill impairment charge	-	(1,902,735)
Investment impairment charge	(935,395)	-
Loss from discontinued operations	\$ (3,015,903)	\$(2,542,660)

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

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

Condensed balance sheet:

	2009	2008
Assets held for sale:		
Accounts receivable	\$ 643,942	\$ 2,153,123
Inventories	1,291,587	1,572,373
Prepaid expenses	62,842	24,974
Current assets held for sale	1,998,371	3,750,470
Fixed assets	3,479,234	4,810,714
Intangible assets	357,504	452,537
Future income taxes	-	565,912
Non-current assets held for sale	\$ 3,836,738	\$ 5,829,163
Liabilities held for sale:		
Bank advances	\$ 1,341,471	\$ 980,557
Accounts payable and accrued liabilities	559,780	1,661,901
Current portion of long-term debt	225,146	219,172
Current liabilities held for sale	2,126,397	2,861,630
Long-term debt	1,924,217	2,113,365
Future income taxes	-	508,038
Non-current liabilities held for sale	\$ 1,924,217	\$ 2,621,403
Net assets held for sale	\$ 1,784,495	\$ 4,096,600

Condensed cash flows:

	2009	2008
Cash flows from operating activities	\$ (906,104)	\$ (748,378)
Cash flows from financing activities	177,740	769,329
Cash flows from investing activities	(7,177)	(285,401)
	\$ (735,541)	\$ 264,450

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

6. Information on operations:

	2009	2008
a) Amortization:		
Amortization of fixed assets	\$ 447,129	\$ 227,785
Amortization of intangible assets	1,311,371	110,256
Amortization of deferred development costs	278,688	23,014
Amortization of deferred costs	1,213	-
	\$ 2,038,401	\$ 361,055
b) Financial expenses:		
Interest on loans due to a company shareholder exercising significant influence	\$ -	\$ 847
Interest on long-term debt	106,222	58,948
Accreted interests on secured convertible debentures	267,531	455,444
Interest on bank loan and bank charges	70,640	56,389
Foreign exchange loss	746,227	27,570
Loss (gain) on fair value of short-term investments	(838)	48,444
Loss on currency contracts	2,152,895	76,885
Investment revenues	(1,096,003)	(782,362)
	\$ 2,246,674	\$ (57,835)

7. Non-cash activities:

	2009	2008
Conversion of convertible debentures into Class A shares	\$ 1,014,017	\$ 2,124,586
Issuance of 1,356,800 Class A shares in partial consideration of business acquisitions	\$ 5,265,100	\$ 7,942,212
Issuance of 16,800 Class A shares in consideration of fees paid for the acquisition of SARL Noveko Algérie	\$ 64,680	\$ -
Acquisition of fixed assets in consideration of an obligation under capital leases	\$ 129,040	\$ -

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

8. Short-term investments:

	2009	2008
Corporate bonds bearing interest between 1.30 % and 4.75%, maturing in September 2009;	\$ 2,496,101	\$ 11,587,222
Term deposit bearing interest at 3.00%, maturing in October 2009;	1,200,000	1,000,000
Foreign denominated currency contracts, matured during the year ⁽¹⁾ ;	-	(76,885)
Shares of public companies.	6,857	6,547
	\$ 3,702,958	\$ 12,516,884

(1) Foreign denominated currency contracts:

The information regarding the foreign denominated currency contracts as at June 30, 2008 is summarized as follows:

Foreign Currency To be sold	Currency to be purchased	Contract price \$	Maturity date	Fair Value \$
8,250,000 US\$	CDN \$	1.01	July 31, 2008	(52,965)
800,000 Euro	CDN \$	1.57	December 30, 2008	(23,920)
Total				(76,885)

9. Accounts receivable:

	2009	2008
Trade	\$ 2,426,208	\$ 1,251,711
Trade – Company under common control	-	782,360
Sales taxes	276,309	249,760
Research and development tax credits	575,518	283,438
Advances to shareholders exercising significant influence	64,795	7,933
Interests receivable	48,496	54,462
Income taxes receivable	374,434	282,516
Other	79,767	26,888
	\$ 3,845,527	\$ 2,939,068

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

10. Inventories:

	2009	2008
Raw materials	\$ 3,071,383	\$ 3,757,980
Work in process	169,924	16,156
Finished goods	4,046,764	521,536
	\$ 7,288,071	\$ 4,295,672

On June 30, 2009, inventories include an allowance for obsolete inventory for an amount of \$871,005 (\$695,493 on June 30, 2008). On June 30, 2009, the cost of sales includes \$175,512 of obsolescence (\$256,842 on June 30, 2008).

11. Fixed assets:

	2009		
	Cost	Accumulated amortization	Net book value
Land	\$ 200,613	\$ -	\$ 200,613
Building	1,961,226	125,389	1,835,837
Furniture and fixtures	340,173	102,170	238,003
Machinery and equipment	1,497,869	630,548	867,321
Computer equipment	329,515	202,697	126,818
Leasehold improvements	694,613	120,068	574,545
Vehicules	283,548	128,031	155,517
	5,307,557	1,308,903	3,998,654
Fixed assets under capital leases:			
Computer equipment	129,040	3,584	125,456
	\$ 5,436,597	\$ 1,312,487	\$ 4,124,110

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

11. Fixed assets (cont'd):

	2008		
	Cost	Accumulated amortization	Net book value
Land	\$ 51,600	\$ -	\$ 51,600
Building	1,388,157	50,092	1,338,065
Furniture and fixtures	211,831	60,091	151,740
Machinery and equipment	789,641	406,967	382,674
Computer equipment	216,440	159,422	57,018
Leasehold improvements	380,039	43,559	336,480
Vehicles	144,091	65,497	78,594
	\$ 3,181,799	\$ 785,628	\$ 2,396,171

12. Intangible assets:

	2009		
	Cost	Accumulated amortization	Net book value
Web site	\$ 44,125	\$ 17,458	\$ 26,667
Software	329,305	42,650	286,655
Customer relationships	596,000	122,466	473,534
Patents	1,338,737	127,599	1,211,138
Trademarks	880,840	92,910	787,930
Technology	5,029,864	463,830	4,566,034
Commercial agent contract	2,355,207	458,136	1,897,071
Non competition agreements	922,000	129,487	792,513
	\$ 11,496,078	\$ 1,454,536	\$ 10,041,542

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

12. Intangible assets (cont'd):

	2008		
	Cost	Accumulated amortization	Net book value
Web site	\$ 21,000	\$ 14,125	\$ 6,875
Software	129,060	23,320	105,740
Customer relationships	436,000	4,778	431,222
Patents	1,097,942	62,594	1,035,348
Trademarks	575,840	35,190	540,650
	\$ 2,259,842	\$ 140,007	\$ 2,119,835

13. Other assets:

	2009			2008
	Cost	Accumulated amortization	Net book value	Net book value
Deferred development costs ⁽¹⁾	\$ 1,841,070	\$ 704,175	\$ 1,136,895	\$ 1,073,400
Deferred costs	4,233	933	3,300	-
Deferred costs related to upcoming business acquisitions	58,150	-	58,150	368,883
	\$ 1,903,453	\$ 705,108	\$ 1,198,345	\$ 1,442,283

⁽¹⁾ Deferred development costs:

	2009	2008
Balance, beginning of year	\$ 1,073,400	\$ 748,260
Development costs capitalized during the year	342,183	348,154
Amortization of deferred development costs	(278,688)	(23,014)
Balance, end of year	\$ 1,136,895	\$ 1,073,400

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

14. Goodwill:

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

	2008					
	Masks	Filtration	Sanitizers	Medical equipments	Others	Total
Balance, beginning of year	\$-	\$-	\$ -	\$5,164,650	\$ -	\$5,164,650
Business acquisitions	-	-	5,196,559	-	2,748,872	7,945,431
Foreign currency translation adjustments	-	-	-	598,159	-	598,159
Balance, end of year	\$-	\$-	\$5,196,559	\$5,762,809	\$2,748,872	\$13,708,240

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

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

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

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

15. Bank advances:

S.A.S. ECM has a credit facility on demand in the amount of €200,000 of which €140,625 (or \$229,177) is used as at June 30, 2009. This credit is bearing interest at the prime rate of the financial institution plus 1.2%.

Laboratoire Syma Inc. has a credit facility on demand in the amount of \$150,000 which is unused as at June 30, 2009. This credit, bearing interest at the prime rate of the financial institution plus 2.5%, is secured by short-term investments owned by the Company and is renewable on an annual basis.

Groupe Conseils Micron-Air Inc. has a credit facility on demand in the amount of \$250,000 of which \$150,366 is used as at June 30, 2009. This credit, bearing interest at the prime rate of the financial institution plus 1.5% is renewable annually. According to the covenants of the bank advance, this advance is limited to a value of inventories and account receivables and the company must maintain a minimum ratio of working capital, debt-to-equity and a net worth of \$400,000. As at June 30, 2009, the subsidiary did not meet all of its ratios.

Unitam International Management Corporation Inc. has a credit facility on demand in the amount of \$15,000 which is unused as at June 30, 2009. This credit, bearing interest at the prime rate of the financial institution plus 3%, is secured by accounts receivable and by an officer of the company. This credit is renewable on an annual basis.

16. Bank loan:

The bank loan granted to S.A.S. E.C.M, of an initial amount of €100,000 (\$162,970), bear interest at prime rate of the financial institution plus 1.2 %, and is payable in July 2009.

17. Accounts payable and accrued liabilities:

	2009	2008
Trade	\$ 861,101	\$ 1,669,532
Accrued liabilities	915,291	465,132
Salaries and deductions at source payable	765,917	522,162
Advance from a shareholder exercising significant influence	10,240	-
	\$ 2,552,279	\$ 2,656,826

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

18. Long-term debt:

	2009	2008
Noveko International Inc:		
Obligations under capital leases (note 19);	\$ 123,526	\$ -
S.A.S. E.C.M:		
Loans payable in Euros, bearing interest at rates varying between 2.70% to 4.56%, payable in monthly instalments of \$36,165 (€22,191), including interest, secured by vehicles, machinery and equipment, maturing between September 2009 and February 2012;	657,326	894,223
Loans payable in Euros, non-interest bearing, maturing in December 2012;	404,003	336,861
Laboratoire Syma Inc:		
Loans payable bearing interest at the prime rate plus a rate varying between 2.00% to 3.00%, payable in monthly instalments of \$5,327, plus interest, secured by a moveable hypothec on the universality of the assets, present and future and guaranteed by a surety of the Company, due between March 2010 and July 2014;	101,888	159,322
Magnum Pharmaceuticals Inc:		
Non-interest bearing loan, payable starting January 2010 in monthly instalments of \$5,000, maturing in December 2012;	120,000	-
Groupe Conseils Micron-Air Inc:		
Loan payable, non-interest bearing, payable in monthly instalments of \$2,000, maturing in November 2009;	10,000	-
Loan payable bearing interest at 8.1%, payable in monthly instalments of \$4,399, principal and interest, secured by a moveable hypothec on specific machinery and equipment, maturing in November 2012;	157,124	-
Loan payable bearing interest at the prime rate plus 1.5%, payable in monthly instalments of \$3,033 plus interest, secured by a first rank moveable hypothec on specific machinery and equipment and by a \$930,000 surety of the Company, maturing in May 2013;	142,556	-

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

18. Long-term debt (cont'd):

	2009	2008
Groupe Conseils Micron-Air Inc (cont'd):		
Loan payable bearing interest at the prime rate plus 1.0%, payable in monthly instalments of \$3,333 plus interest, secured by a first rank mortgage on a building and by a \$930,000 surety of the Company, maturing in October 2021.	493,333	-
	2,209,766	1,390,406
Current portion	(754,584)	(416,944)
	\$ 1,455,182	\$ 973,462

The prime rate was 2.25% as at June 30, 2009 (4.75% in 2008).

Principal repayments, including instalments due under the capital leases, over the next five years are estimated as follows:

2010	\$ 754,584
2011	\$ 573,104
2012	\$ 381,121
2013	\$ 157,364
2014	\$ 49,471

19. Obligations under capital leases:

	2009	2008
Noveko international Inc:		
Computer equipment lease contract, payable in monthly instalments of \$5,741, including interest, calculated at a rate of 17%, maturing on April 21, 2011.	\$ 147,739	\$ -
	147,739	-
Interest included in instalments	(24,213)	-
Balance of the obligations	\$ 123,526	\$ -

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

20. Secured convertible debentures:

- i) On December 29, 2006, the Company issued convertible debentures having a face value of \$2,200,000. These convertible debentures bear interest at 8% and are convertible, totally or partially, at the holder's option, into Class A shares on the basis of one Class A share for each \$1.25 of principal until December 29, 2008, for \$1.38 until December 29, 2009, for \$1.52 until December 29, 2010 and for \$1.67 until its redemption date on December 29, 2011. During the year ended June 30, 2009, \$1,000,000 (\$197,925 in 2008) of convertible debentures were converted into Class A shares (see note 21 c) vi)). The convertible debentures are secured by a first ranking mortgage on all tangible and intangible assets of the Company. The principal is due in full on December 29, 2011. The interest is payable by monthly instalments of \$14,667 starting January 2008, the first twelve instalments having been paid on the subscription date.

The Company issued 750,000 warrants granting convertible debentures holders the right to purchase 750,000 Class A shares. These warrants can be exercised starting December 30, 2009 only if the average weighted market value of the share is less than \$1.50 during the 90 days preceeding that date. The exercise price will be \$1.52 per share from December 30, 2009 to December 29, 2010 and \$1.67 per share from December 30, 2010 to December 29, 2011.

- ii) On March 31, 2005, the Company issued convertible debentures having a face value of \$3,000,000 of which \$2,000,000 had been subscribed on March 31, 2005 and \$1,000,000 on May 10, 2005. These convertible debentures bear interest at 8 % and are convertible, totally or partially, at the holders' option, into Class A shares on the basis of one Class A share for each \$0.80 of principal until March 31, 2007, for \$0.88 until March 31, 2008, for \$0.97 until March 31, 2009 and for \$1.07 until its redemption date on December 15, 2009. During the year ended June 30, 2008, \$1,926,661 of convertible debentures were converted into Class A shares (see note 21 d) v)). The convertible debentures are secured by a first ranking mortgage on all tangible and intangible assets of the Company. The principal is due in full on December 15, 2009. The interest is payable by monthly instalments of \$20,000 starting October 2005, the first six instalments having been paid on the subscription date.

21. Capital stock:

- a) Authorized:

On June 30, 2009, the authorized capital stock includes the following:

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

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

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

21. Capital stock (cont'd):

a) Authorized (cont'd):

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

b) Issued:

	2009	2008
67,058,693 Class A shares (63,087,727 in 2008)	\$ 80,768,629	\$ 70,084,061

c) Transactions during the year 2009:

- i) Issuance of 500,000 Class A shares for a total amount of \$1,976,500, in consideration of the acquisition of all the outstanding shares of Unitam International Management Corporation Inc.
- ii) Issuance of 240,000 Class A shares for a total amount of \$921,120, in consideration of the acquisition of all the outstanding shares of SARL Noveko Algérie.
- iii) Issuance of 16,800 Class A shares for a total amount of \$64,680, in consideration of fees paid for the acquisition of all the outstanding shares of SARL Noveko Algérie.
- iv) Issuance of 600,000 Class A shares for a total amount of \$2,302,800, in consideration of the acquisition of 50% of the outstanding shares of Groupe Conseil Micron-Air Inc and of 100% of all outstanding shares of Gestion Simon Labrecque Inc.
- v) Issuance of 202,500 Class A shares following the exercise of 202,500 warrants for a cash consideration of \$236,575 and a transfer of \$85,983 from warrants.
- vi) Issuance of 800,000 Class A shares following the exercise of conversion right of \$1,000,000 of convertible debentures. Amounts of \$774,953 and of \$239,064 were transferred from secured convertible debentures and from the equity component of secured convertible debentures included in equity, respectively.
- vii) Issuance of 1,100,000 Class A shares for a cash consideration of \$3,355,000.
- viii) Issuance of 511,666 Class A shares following the exercise of 511,666 stock options for a cash consideration of \$427,582 and a transfer of \$300,311 from contributed surplus.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

21. Capital stock (cont'd):

d) Transactions during the year 2008:

- i) Issuance of 745,156 Class A shares for a total amount of \$4,932,933, in consideration of the acquisition of all the outstanding shares of Laboratoire SyMa Inc.
- ii) Issuance of 618,557 Class A shares for a total amount of \$3,009,279, in consideration of the acquisition of all the outstanding shares of Magnum Pharmaceuticals Inc.
- iii) Issuance of 1,188,404 Class A shares following the exercise of 1,188,404 stock options for a cash consideration of \$1,182,380 and a transfer of \$798,367 from contributed surplus.
- iv) Issuance of 7,572,000 Class A shares following the exercise of 7,572,000 warrants for a cash consideration of \$19,820,200 and a transfer of \$4,568,449 from warrants.
- v) Issuance of 2,347,729 Class A shares following the exercise of conversion right of \$2,124,586 of convertible debentures. Amounts of \$1,894,533 and of \$307,198 were transferred from secured convertible debentures and from the equity component of secured convertible debentures included in equity, respectively.

22. Stock option plan:

The Company instituted fixed stock option plans for which options can be granted to its officers, directors, employees and to persons providing services on a continuous basis to the Company. Under those plans, 10,698,780 Class A shares were reserved. The exercise price of the options is equal to the Company's quoted share price at the preceding date on which the options are granted except, under the 2008 stock option plan, if less than 100,000 Class A shares were traded on that date, in which case, the exercise price is equal to the weighted average closing trading price over a period of five business days in which Class A shares have been traded preceding the date of the grant. The term of the stock options is five years and the vesting period extending from 12 to 30 months, as the case may be.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

22. Stock option plan (cont'd):

The following table summarizes the changes in the plans position for the years ended June 30, 2008 and 2009:

	2009		2008	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of year	5,981,595	\$ 3.77	4,394,998	\$ 1.17
Granted	2,950,000	2.76	2,900,000	6.51
Exercised	(511,666)	0.84	(1,188,404)	0.99
Expired	(628,332)	5.21	(124,999)	2.12
Balance, end of year	7,791,597	\$ 3.47	5,981,595	\$ 3.77
Options that can be exercised at year-end	5,859,930	\$ 3.70	3,539,930	\$ 2.34
Weighted average fair value of options granted during the year		\$ 2.05		\$ 4.66

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

22. Stock option plan (cont'd):

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

		Outstanding options	Exercisable options	
Exercise price	Number	Weighted average outstanding maturity period (year)	Number	
\$ 0.87	1,626,329	2.50	1,626,329	
\$ 1.31	275,268	2.75	275,268	
\$ 2.75	450,000	2.92	450,000	
\$ 6.80	1,900,000	3.33	1,900,000	
\$ 6.25	100,000	3.67	83,333	
\$ 4.85	350,000	4.00	233,333	
\$ 3.95	200,000	4.00	133,333	
\$ 3.98	200,000	4.08	100,000	
\$ 3.82	200,000	4.08	100,000	
\$ 3.85	200,000	4.08	100,000	
\$ 3.52	300,000	4.08	150,000	
\$ 3.05	200,000	4.17	100,000	
\$ 2.49	250,000	4.17	125,000	
\$ 3.98	400,000	4.25	200,000	
\$ 1.80	210,000	4.33	70,000	
\$ 2.05	400,000	4.33	133,332	
\$ 1.18	50,000	4.42	16,667	
\$ 0.60	240,000	4.50	46,667	
\$ 0.87	115,000	4.67	16,667	
\$ 2.06	125,000	4.83	-	
	7,791,597	3.51	5,859,930	

a) Transactions during the year June 30, 2009:

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

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

22. Stock option plan (cont'd):

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

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

c) Compensation costs:

Compensation costs related to the stock option plans amount to \$11,036,909 for the year ended June 30, 2009 (\$7,229,294 in 2008).

d) Fair value of the options:

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

	2009	2008
Weighted average expected dividend rate	Nil	Nil
Weighted average volatility	97%	95%
Weighted average risk-free interest rate	2.93%	4.03%
Weighted average expected life of options	60 months	60 months

23. Warrants:

The following table summarizes the changes in the warrants position for the years ended June 30, 2008 and 2009:

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

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

24. Accumulated other comprehensive income:

The changes that occurred during the year ended June 30, 2009 were as follows:

	2009	2008
Balance, beginning of year	\$ 347,359	\$ (458,974)
Unrealized loss (gain) on translation of financial statements of self-sustaining foreign operations	(514,287)	806,333
Balance, end of year	\$ (166,928)	\$ 347,359

25. Commitments:

- a) As at June 30, 2009, the balance of the commitments under the terms of leases for the rental of its business premises, maturing in 2014, totals \$2,573,781. Minimum lease payments over the next five years are as follows:

2010	\$1,083,197
2011	\$ 564,803
2012	\$ 405,798
2013	\$ 403,971
2014	\$ 116,012

- b) The Company is committed to pay to a company 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 \$6,000,000. Under the terms of the agreement, the Company will continue to pay the royalties up to a maximum of \$520,000. As at June 30, 2009, no payments have been made under the terms of this agreement.
- c) The Company is committed to pay a quarterly royalty of 1% of the gross revenues to be generated by the patent acquired in connection with the acquisition of Bolduc Leroux Inc. and any other patent ensuing from this invention. As at June 30, 2009, \$10,045 (\$2,287 as at June 30, 2008) was paid under the terms of this agreement.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

26. Related party transactions:

a) Year 2009:

During the year ended June 30, 2009, the Company paid interest in the amount of \$ - (\$847 in 2008) to a company controlled by a shareholder exercising significant influence. This amount was charged to financial expenses in the statement of operations. These transactions were concluded in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

b) Year 2008:

i) During the year ended at June 30, 2008, the Company paid interest in the amount of \$847 to a company shareholder exercising significant influence. This amount was charged to financial expenses in the statement of operations. These transactions were concluded in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

ii) On July 17, 2007, the Company acquired a building from a company whose shareholders' directors exercise significant influence on the Company. This acquisition, not in the normal course of operations, was recorded at the market value determined by an independent real estate appraiser. The acquisition was settled by a cash consideration of \$1,200,000.

iii) During the year ended at June 30, 2008, the Company sold medical equipment for an amount of \$772,290 to a company whose shareholders' directors exercise significant influence. This amount was recorded in revenues in the statement of operations. These transactions were concluded in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

27. Capital Management:

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

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

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

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

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

27. Capital Management (cont'd):

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

The Company met all of its long term debt's covenants and is not subject to any externally imposed capital requirements, except for bank advances of Groupe Conseil Micron-Air Inc. as disclosed in note 15.

28. Financial instruments:

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

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

a) Interest rate risk:

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

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

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

b) Currency risk:

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

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

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

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

28. Financial instruments (cont'd):

b) Currency risk (cont'd):

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

	<u>US</u> June 30 2009	<u>US</u> June 30 2008	<u>Euro</u> June 30 2009	<u>Euro</u> June 30 2008
Cash	\$345,919	\$ 129,453	\$ 30,268	\$ -
Accounts receivable	-	1,578,833	475,125	346,946
Accounts payable	138,983	112,836	-	-

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

c) Counterparty credit risk:

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

Accounts receivable credit risk is mitigated through established credit management techniques, including conducting financial and other assessments to establish and monitor a customer's creditworthiness, setting customer limits and monitoring exposures against these limits. The Company establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. The allowance for doubtful accounts related to continuing operations amounted to \$207,365 as at June 30, 2009 (\$159,262 as at June 30, 2008).

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

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

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

28. Financial instruments (cont'd):

d) Liquidity risk:

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

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

	Maturities			
	Total \$	Less than 1 year \$	2 years \$	More than 2 years \$
Bank advances	162,970	162,970	-	-
Accounts payable and accrued liabilities	2,552,279	2,552,279	-	-
Long-term debt	2,209,766	754,584	573,104	882,078
Secured convertible debentures	1,789,827	964,710	825,117	-

e) Fair value:

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

The fair value of the term loans that bear interest at the prime rate plus rate between 1.0% and 3.0% with a carrying value of \$737,787 corresponds to their book values as a result of the variable interest rates associated with these loans.

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Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

28. Financial instruments (cont'd):

e) Fair value (cont'd):

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

	June 30 2009		June 30 2008	
	Book value	Fair value	Book value	Fair value
Short -term investments	\$ 3,702,958	\$ 3,702,958	\$ 12,516,884	\$ 12,516,884
Long-term debt	\$ 2,209,766	\$ 2,213,422	\$ 1,390,406	\$ 1,234,544
Convertible debentures	\$ 1,789,827	\$ 1,789,827	\$ 2,462,909	\$ 2,462,909
Non-current portion of liabilities held for sales	\$ 2,149,363	\$ 2,149,363	\$ 2,332,537	\$ 2,332,537

Methods and assumptions by which the fair value of each financial instrument was estimated are as follows:

i) Short-term investments:

The fair value is determined using the market value.

ii) Long-term debt:

The fair value is determined using the discounted future payments of principal and interest as mentioned in the loans agreement using interest rates that the Company can actually obtain on the market for the same or similar instruments.

iii) Convertible debentures:

The book value approximates the fair value since the debentures have been discounted using an interest rate that the Company can actually obtain on the market for similar debentures with no conversion right.

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

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29. Segmented information:

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

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

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

For the year ended June 30, 2008, the Company previously divided its activities in four segments: development, manufacturing and marketing of medical equipment, custom processing and distribution of steel products, development and marketing of products in the biomedical and environmental fields and others. To better understand the Company's performance, to incorporate business acquired during the year ended June 30, 2009 and to represent better the axes of growth of the Company, the Company reorganized its segments in five new segments. Therefore, the old segment of development and marketing of products in the biomedical and environmental fields was distributed into three new segments: masks, filtration and sanitizers. The comparative figures were modified to incorporate these changes and the discontinued steel segment.

Information on the results and the assets of each segment:

	2009	2008
Revenues from external clients:		
Medical equipment	\$ 7,558,144	\$ 6,894,908
Sanitizers	540,779	371,417
Masks	602,947	39,657
Filtration	2,692,726	62,239
Others	767,718	59,742
	\$ 12,162,314	\$ 7,427,963
Loss before amortization, financial fees and income taxes:		
Medical equipment	\$ (238,542)	\$ (172,337)
Sanitizers	(1,686,310)	(1,352,188)
Masks	(2,286,884)	(1,682,842)
Filtration	(3,722,963)	(1,994,105)
Others	(13,644,590)	(8,789,796)
	\$(21,579,289)	\$(13,991,268)

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

29. Segmented information (cont'd):

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

	2009	2008
Depreciation and amortization:		
Medical equipment	\$ 619,012	\$ 174,060
Sanitizers	61,649	52,413
Masks	2,523	57,786
Filtration	287,322	-
Others	1,067,895	76,796
	\$ 2,038,401	\$ 361,055
Interest expense:		
Medical equipment	\$ 73,724	\$ 79,348
Sanitizers	16,399	20,287
Masks	379	-
Filtration	54,580	-
Others	299,311	471,993
	\$ 444,393	\$ 571,628
Income taxes:		
Medical equipment	\$ (369,290)	\$ (72,883)
Sanitizers	(1,298)	(144,613)
Masks	(5,193)	-
Filtration	(126,675)	-
Others	(102,197)	(6,264)
	\$ (604,653)	\$ (223,760)
Net loss from continuing operations:		
Medical equipment	\$ (4,284,262)	\$ (311,347)
Sanitizers	(1,765,542)	(1,280,275)
Masks	(2,294,519)	(1,740,628)
Filtration	(3,963,997)	(1,994,105)
Others	(16,551,391)	(8,744,373)
	\$(28,859,711)	\$(14,070,728)
Assets:		
Medical equipment	\$ 12,172,651	\$14,706,140
Sanitizers	6,321,115	6,018,397
Masks	2,221,353	1,411,068
Filtration	8,312,932	640,230
Others	16,227,716	30,589,728
Assets held for sale	5,640,771	9,492,727
	\$ 50,896,538	\$62,858,290

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Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

29. Segmented information (cont'd):

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

	2009	2008
Fixed asset expenditures:		
Medical equipment	\$ 620,235	\$ 658,533
Sanitizers	54,019	10,581
Masks	232,110	-
Filtration	201,183	-
Others	412,044	1,978,115
	\$ 1,519,591	\$ 2,647,229

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

	2009	2008
Canada	\$ 12,484,641	\$ 9,627,747
France	2,910,921	6,476,664
Algeria	379,642	-
Luxembourg	674,059	-
Taiwan	710,036	-
	\$ 17,159,299	\$ 16,104,411

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

	2009	2008
Canada	\$ 3,775,374	\$ 786,414
Latin America	438,122	389,793
United States	101,008	523,450
Europe	4,406,170	4,147,760
Africa and Asia	3,441,640	1,580,546
Total revenues	\$ 12,162,314	\$ 7,427,963

NOVEKO INTERNATIONAL INC.

Notes to consolidated financial statements

Years ended June 30, 2009 and 2008

30. Income taxes:

- a) The provision for income taxes differs from the amount calculated using the statutory tax rate for the following reasons:

	2009	2008
Income taxes at the statutory tax rate of 30.90% (31.46% in 2008)	\$(9,104,488)	\$(4,497,046)
Unrecorded tax benefits	3,511,864	1,985,886
Difference between statutory rates in Canada and rates applicable to foreign subsidiaries	516,738	-
Non-deductible expenses and other	4,471,233	2,287,400
	\$ (604,653)	\$ (223,760)

- b) Future income taxes are as follows:

	2009	2008
Future income tax assets:		
Losses carried forward	\$ 8,982,616	\$ 5,105,273
Fixed assets and other assets	-	62,708
Capitalized development costs	-	271,955
Deferred financing costs	82,691	420,736
	9,065,307	5,860,672
Less valuation allowance	(8,982,616)	(5,664,273)
Future income tax assets recognized	\$ 82,691	\$ 196,399
Future income tax liabilities:		
Excess of capital cost allowance over amortization accounted for in the books for fixed assets, intangible assets and other assets	1,581,207	231,079
Convertible debentures	63,267	167,347
Future income tax liabilities recognized	1,644,474	398,426
Net future income taxes liabilities	\$ 1,561,783	\$ 202,027

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Notes to consolidated financial statements

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30. Income taxes (cont'd):

Tax losses carried forward amount approximately to \$27,315,000 at the federal level, approximately to \$27,942,000 at the provincial level and approximately \$2,319,000 for foreign jurisdiction. No amount has been recognized as future income tax assets during the year. These tax losses will expire as follows:

	Federal	Provincial	Foreign
2011	\$ 203,000	\$ 334,000	\$ -
2014	-	-	555,000
2015	2,875,000	3,386,000	-
2019	-	-	625,000
2026	2,604,000	2,589,000	-
2027	4,292,000	4,242,000	-
2028	6,663,000	6,662,000	-
2029	10,678,000	10,729,000	-
Without maturity	-	-	1,139,000
	\$27,315,000	\$ 27,942,000	\$ 2,319,000

The Company has available a balance of non-deducted research and development expenses that could be used to reduce taxable income in future years of \$1,250,941 at the federal level and \$1,240,898 at the provincial level.

Finally, the Company has an amount of \$350,192 of investment tax credit that can be used to reduce federal taxes in the future. This credit has not been recorded.

31. Subsequent events:

- On July 1, 2009, the companies Noveko Inc. and Laboratoire SyMa Inc. merged and adopted Noveko Inc. as their corporate name. Unitam International Management Corporation Inc. was wound-up into Magnum Pharmaceuticals Inc and the name of this last one was kept as corporate name. Finally, the company Industries Epurair Ltée was wound-up into the company Groupe Conseils Micron-Air Inc. and this one was wound-up into Gestion Simon Labrecque Inc.; the resulting company adopted Epurair Inc. as its corporate name. The reorganisation was recorded in accordance to the continuity of interest method. According to this method, the different elements of assets and liabilities are recorded at their book values of the merged or wound-up companies.
- On September 4, 2009, the Company has entered into an agreement with a lead agent on behalf of a syndicate to raise approximately \$10,000,000 of units by way of a private placement. Each unit will consist of one Class A share and one-half warrant. The units will be priced in the context of the market.

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Years ended June 30, 2009 and 2008

31. Subsequent events (cont'd):

- c) On September 11, 2009, \$993,708 of convertible debentures were converted in 823,510 Class A shares.

32. Comparative figures:

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