



Management's Report
Fiscal Year Ended June 30, 2009

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 fiscal year and fourth quarter ended June 30, 2009, in comparison with the corresponding periods ended June 30, 2008, 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 audited consolidated financial statements and accompanying notes for the fiscal year ended June 30, 2009.

Supplementary information about the Company, including its Annual Information Form for the fiscal year ended June 30, 2009, annual reports, management's reports on previous interim periods and press releases, is available on SEDAR's website (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", "Group", and "our Group" designate, as the case may be, Noveko International Inc. or Noveko International Inc. and its direct and indirect subsidiaries, and "Noveko" designates Noveko Inc., a subsidiary of the Company.

The information contained in this Management's Report accounts for any major event occurring up to September 24, 2009, the date on which the Board of Directors approved the audited financial statements and Management's Report for the fiscal year ended June 30, 2009. It presents the Company's status and business context as they were, to management's best knowledge, at the time this report was written.

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

Compliance with Canadian GAAP

Unless otherwise indicated, the financial information presented in this Management's Report, including tabular amounts, is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The information contained in 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 non-cash 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 debt. Investors should not regard it as an alternative to operating revenues or cash flows, or a measure of liquidity. As this measure is not established in accordance with GAAP, it might not be comparable to those of other companies.

Use of Estimates and Forward-Looking Statements

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

Certain statements set forth in this Management's Report constitute forward-looking statements. In some cases, these statements are identified by the use of terms such as "may", "could", "will", "might", "intend", "should", "expect", "project", "plan", "believe", "estimate" or other comparable variants. These statements are based on the information available at the time they are written, on assumptions made by the Company's management and on the expectations of management, acting in good faith, regarding future events, including those relating to economic conditions, fluctuations in exchange rates and operating expenses, and the absence of usual events entailing supplementary expenditures. Although the Company's management considers these assumptions and expectations reasonable based on the information available at the time they are written, they could prove inaccurate. Forward-looking statements are also subject, by their very nature, to a number of known and unknown risks and uncertainties such as those related to the industry, acquisitions, labour relations, credit, key officers, supply and product liability. The Company's actual results could differ materially from those indicated or underlying these forward-looking statements. The reader is therefore recommended not to unduly rely on these forward-looking statements. Forward-looking statements do not reflect the potential impact of special items, any business combination or any other transaction that might be announced or occur subsequent to the date hereof.

Unless otherwise required under securities laws, the Company does not intend and undertakes no obligation to update or revise the forward-looking statements to account for new information, new events or new circumstances.

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: (i) antimicrobial surgical masks and respirators derived from our patented antimicrobial air filtration technology; (ii) filtration products, including antimicrobial air filters derived from our patented antimicrobial air filtration technology and EPURAIR™ air quality management systems; (iii) hand sanitizers with antimicrobial properties; and (iv) medical equipment, including ultrasound scanners for human and veterinary medicine.

Background of the Company

Origin

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

Acquisition and Creation of Subsidiaries

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

November 2004 Acquisition of the French company S.A.S. E.C.M. ("ECM"), specializing in the design, production and marketing of portable real-time ultrasound scanners. Since then, the Company's ultrasound scanner activities have been transferred to ECM.

April 2006 Acquisition of Bolduc Leroux Inc. ("BLI"), a company specializing in steel distribution and processing that also held the intellectual property rights to an antimicrobial filtration technology for face masks and air filters, which rights have since been transferred to Noveko. During the fiscal year, as BLI's activities no longer fit with the Company's growth strategy, the latter had announced that it had accepted an offer to purchase all the shares it held in BLI. The announced transaction has not closed, but the Company is pursuing its efforts to divest this subsidiary. BLI's activities are hence treated as discontinued operations.

July 2007 Acquisition of Laboratoire SyMa Inc. ("SyMa"), a company specializing in the manufacture of sanitizers marketed under the AZURO™ brand. SyMa's activities were subsequently integrated with those of Noveko and the two companies have merged in July 2009.

- June 2008 Acquisition of Magnum Pharmaceuticals Inc. (“Magnum”), a management services company specialized in the marketing of pharmaceuticals, over-the-counter drugs and medical devices.
- July 2008 Acquisition of Unitam International Management Corporation Inc. (“Unitam”), an agency focused on the development of international business services established in North America and Asia. Unitam’s activities have since been integrated with those of Magnum. The process of winding up Unitam in Magnum was initiated in June 2009.
- July 2008 Acquisition of SARL Noveko Algérie (“Noveko Algérie”), a medical equipment import business in North Africa.
- July 2008 Acquisition of Groupe Conseils Micron-Air Inc. and two other companies of the same group (“the Micron-Air group”), a designer and manufacturer of air quality systems for the residential and commercial markets sold under the EPURAIR™ brand. Since July 2009, subsequent to a reorganization to streamline the Company’s corporate structure, the activities formerly conducted by the Micron-Air group are now conducted by Epurair Inc. (“Epurair”).
- August 2008 Acquisition of Purer Life Technology Co., Ltd. (and U-Bond Inc., an entity of the same group – collectively “Purer Life”), a company that develops and manufactures antimicrobial filtration fabric and holds an extensive portfolio of intellectual property rights with multiple applications. In May 2009, U-Bond Inc. was wound-up into Noveko Trading.
- August 2008 Incorporation of Noveko Taiwan Co., Ltd. (“Noveko Taiwan”) to facilitate the import and distribution of the Company’s products in Asia, primarily in Taiwan.
- 2008 - 2009 Creation and organization of Noveko Trading 2008 LLC (“Noveko Trading”) to be responsible for the international marketing of the products of the Company’s various subsidiaries.

Business Overview, Fiscal Year 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 patented air filtration technologies and the design of new innovative applications derived therefrom. We are also actively pursuing the development of promising markets for our hand sanitizers and continuing to implement efforts to increase our presence in ultrasound scanners for human and veterinary medicine markets.

Subsequent to the integration of the entities acquired in recent years, we are also concentrating on taking advantage of market and product offering development and diversification synergies.

We remain on the lookout for new partnership opportunities to drive the development, production and marketing of our products, particularly our range of antimicrobial solutions. In connection with this growth strategy, promising new agreements have been concluded over the past year. Our business model for the long term is centred on outsourcing the production and distribution of this product line to leading partners in their market and on benefiting from the royalties arising from the sales. This approach will enable us to make more effective use of our capital resources and to concentrate on the development of innovative technologies.

Agreements and Orders - Product Development and Marketing

Distribution Agreement with Aerosys Technologies

In April 2009, we entered into an exclusive distribution agreement with Aerosys Technologies for filters incorporating Noveko's antimicrobial filtration technology. This agreement covers the marketing of the filters, worldwide, to aircraft manufacturers, aeronautics maintenance companies and air carriers and, in France, to the railway, auto manufacturing and defence industries, with certain exceptions.

The company Aerosys Technologies also distributes Noveko™ surgical masks and AZURO™ hand sanitizers in the French market.

Distribution Agreement with Garda

In May 2009, we entered into a distribution agreement with Garda Security Group, a subsidiary of Garda World Security Corporation ("Garda"), a leading provider of integrated physical security and cash logistics services. This agreement covers the distribution of Noveko™ antimicrobial surgical masks and respirators and Azuro™ hand sanitizers to Garda's client base.

Distribution Agreement with BLD Distribution

In July 2009, we entered into an exclusive distribution agreement with U.S.-based BLD Distribution, L.L.C. (“BLD”) for our AZURO™ hand sanitizers. This agreement covers the sale and promotion of the hand sanitizers within the United States to the foodservices and educational segments, industrial sectors such as janitorial, warehousing and farming, and government and pharmaceutical entities. BLD committed to purchase Noveko hand sanitizers for an amount of at least US\$3 million within the first year.

Licence and Supply Agreement with Microban

In August 2009, we entered into a licence and supply agreement with Microban International, Ltd. (“Microban”), the global leader in built-in antimicrobial product protection, offering durable antimicrobial solutions for consumer, industrial and healthcare products around the world. Microban granted us the right to sell our line of AZURO™ hand sanitizers under the Microban® brand name. This global agreement also granted us the right to use the Microban® brand as the lead/host brand or ingredient brand, and the right and licence to use the Microban® antimicrobial technology and proprietary antimicrobial additives in the manufacture of Noveko™ surgical masks and respirators through December 31, 2012.

Air Transat Chooses Noveko™ Antimicrobial Technology

On September 22, 2009, we announced we had won a first order from Air Transat, Canada’s leading holiday travel airline, for some 500,000 Noveko™ antimicrobial face masks and respirators as well as for AZURO™ hand sanitizers. Additional orders are expected within the near term. The antimicrobial products purchased by Air Transat are intended to protect the airline’s passengers, flights personnel and ground crew. Furthermore, discussions are still under way with Air Transat and the French company Aerosys Technologies to obtain the required certifications in order to equip Air Transat’s aircraft fleet with filters incorporating Noveko’s antimicrobial filtration technology.

Private Placement of Approximately \$10 Million

On September 4, 2009, we announced we had entered into an agreement with Desjardins Securities Inc. as lead agent on behalf of a syndicate of agents to raise approximately \$10 million of units (the “units”) by way of a best efforts private placement (the “offering”). The placement process is currently under way and should close in the near term. Each unit will consist of one Class A share of the Company and one-half of one Class A share purchase warrant. The units will be offered to qualified investors in all Canadian provinces and potentially in other jurisdictions pursuant to applicable private placement exemptions. The offering is subject to the usual conditions and the receipt of all required regulatory approvals, including approval of the Toronto Stock Exchange.

We intend to use the net proceeds from the offering to pursue our global growth objectives, namely, fund the expansion of international distribution networks, develop our current IP portfolio, develop new innovative applications, increase our production capacity, and for general working capital purposes.

Progress at Operational Level

Agreement with McKesson Logistics Solutions

In August 2009, we concluded an agreement with McKesson Logistics Solutions (“MSL”), Canada’s leading third-party logistics provider for the healthcare industry, pursuant to which MSL will provide us with full order-to-cash logistics management services, including order fulfillment, customer invoicing, accounts receivable management, customer service, storage, inventory and transportation management, for the distribution of our Noveko™ surgical masks and respirators and hand sanitizers. This agreement offers many benefits for the Company operationally and administratively. In accessing MSL’s technology and infrastructure, we are gaining the flexibility needed to run our logistic more efficiently and cost-effectively, especially in light of the growing demand for our Noveko™ surgical masks and respirators and hand sanitizers.

New Integrated Management System

Having completed the analysis and planning phase, we are currently deploying a new integrated management system (ERP) that will provide better disclosure controls and procedures at all levels Company-wide.

Corporate Structure Optimization

In June and July 2009, we have simplified our corporate structure at the level of some of our subsidiaries. This reorganization is a legal reflection of the business operations re-engineering already carried out during the year. It consisted primarily in integrating SyMa’s activities with those of Noveko, thereby completing Noveko’s antimicrobial product line, in integrating Unitam’s activities with those of Magnum, thus creating a services group specializing in product marketing, and in simplifying the structure of the Micron-Air group. We reorganized these entities to take further advantage of potential product and market development synergies, to simplify the Company’s management and administration and to achieve cost savings. Once this reorganization completed, Noveko and SyMa merged into a single entity under the corporate name Noveko Inc. and the process of winding up Unitam in Magnum was initiated. Furthermore, the activities formerly conducted by the Micron-Air group’s entities are now conducted by a single entity under the corporate name of Epurair Inc. (“Epurair”).

Throughout the year, we took a series of initiatives to further control our costs organization-wide. We also continued to strengthen our management team.

Steps to Secure Foothold in China

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

Reclassified Financial Reporting

Business Segments

Our segmented information is now reported based on five business segments. We consider that the financial information thus reclassified provides a better representation of our primary growth vectors. Data for prior quarters have been reclassified to reflect this new presentation.

- **Noveko™ antimicrobial surgical masks and respirators** derived from our patented antimicrobial filtration technology and targeted to the healthcare and institutional segments and the general public;
- **Air filtration products**, including Noveko™ antimicrobial air filters derived from our patented antimicrobial filtration technology and targeted to the farming markets, the transportation industry, the institutional segment, commercial and residential buildings, as well as EPURAIR™ air quality systems;
- **Sanitizers** having antimicrobial properties and targeted to the same markets as antimicrobial face masks;
- **Medical equipment**, primarily portable real-time ultrasound scanners for human and veterinary medicine, along with our medical equipment import and distribution activities;
- **Other activities**, primarily the marketing management services provided by Magnum for manufacturers and distributors of pharmaceutical products, over-the-counter drugs and medical equipment, and also the activities of the parent company, Noveko International Inc., and of Noveko Trading.

BLI – Discontinued Operations

In March 2009, the Company announced it had accepted an offer to purchase all the issued and outstanding shares it held in BLI, its subsidiary specializing in the processing and distribution of steel products. Since the offeror has not been able to fulfill all the conditions needed to close the transaction, it has not closed as initially scheduled. Since BLI's activities no longer fit with our growth strategy, we still intend to sell this subsidiary and are continuing our efforts in this regard. For this reason, BLI's operating results and assets and liabilities have been withdrawn from continuing operations to be treated as discontinued operations in the Company's financial statements. The net loss associated with the discontinued operations is presented as a separate item in the condensed consolidated statement of operations. In this Management's Report, unless otherwise indicated, corresponding figures for 2008 have been restated to exclude the amounts relating to the discontinued operations.

Business Segments

Antimicrobial Face Masks and Respirators

Increased Demand and Production

Whereas the marketing of our antimicrobial surgical masks and respirators (collectively “face masks”) was at its beginnings until recently, during the fiscal year ended June 30, 2009 and the first quarter of the current fiscal year, we achieved several breakthroughs that pave the way for their production and distribution on a wider scale.

The emergence of the A (H1N1) influenza virus at the end of April 2009, which reached a Phase 6 pandemic alert level in June 2009, definitely led to a sharp increase in the demand for Noveko™ face masks. We believe that the accelerator effect resulting from A (H1N1) influenza pandemic threat on the demand for Noveko™ face masks will also have a positive impact on their marketing over the longer term, raising the demand threshold. However, demand is likely to return to a more stable growth rate once the threat of a pandemic has passed.

At the end of April 2009, we made a first delivery of about one million face masks to Mexico, this number representing most of the face mask inventories then available at Noveko’s Terrebonne warehouse. During the fourth quarter of the fiscal year, in order to attempt to meet the growing demand and given the limited quantity of face mask inventories available, we took the necessary steps to increase our production, primarily by enhancing our assembly capacity. First, during the fourth quarter of the fiscal year ended June 30, 2009, we started assembling the inventories of the various face mask components at our disposal. The assembly of these different components will enable us to gradually produce approximately 7 million face masks. The face masks thus assembled are delivered as they become available. Conversely, limited working capital and the time required to increase the assembly rate have actually caused the pace to somewhat slow down. We expect to be able to finish assembling most of these 7 million face masks in the coming quarter. Delivery of these face masks will therefore be spread over the current and next quarter.

Secondly, we started to produce approximately 20 million additional face masks during the fourth quarter of the fiscal year ended June 30, 2009. We expect to complete a large proportion of the production and assembly of these face masks in the second quarter ending December 31, 2009. We are also taking further steps to produce additional face masks in order to meet the demand insofar as possible.

The value of our firm orders for our face masks, for the period beginning July 1, 2009, currently totals \$12 million. This significant number of orders reflects the sharp increase in demand for our face masks. In addition to these orders, negotiations are under way with respect to several more orders, which could potentially represent sales of at least 50 million face masks for the current fiscal year.

We are still discussing with various suppliers to increase the assembly pace of the materials used in the manufacture of our face masks. We also remain on the lookout for opportunities to expand our production more efficiently. Consequently, after obtaining the expected net proceeds from the offering, we expect to gradually reach a monthly production rate of about 9 million face masks in the current fiscal year. We will thereby be in a position to produce a sufficient quantity of face masks to fill our existing order forecasts by the end of the current fiscal year.

Our face masks are scheduled to be delivered to different markets, notably Canada, United States, Mexico, South America, Europe, Asia, the Maghreb and the Middle East. The face masks are being sold either directly by Noveko, or else through independent distributors or other subsidiaries of the Company.

Agreement with Microban

The conclusion of an agreement granting us the right to use the Microban® brand as lead/host brand or ingredient brand and a licence to use the Microban® antimicrobial technology and proprietary antimicrobial additives in the manufacture of Noveko™ surgical masks and respirators also attests to the interest in our products. The reader is referred to the “Agreements and Orders - Product Development and Marketing” section of this Management’s Report for further details.

Certifications and Approvals

In July 2008, Noveko obtained ISO 13485 certification and the authorization to affix CE Marking on its antimicrobial surgical masks and respirators in order to market them in the European Community. We are currently finalizing the procedures to obtain the additional approvals specific to certain segments of this market for the sale of our antimicrobial respirators.

In May 2007, we initiated the 510(k) certification application process with the *US Food and Drug Administration* (the “FDA”) in order to market our face masks in the United States. In September 2008, the FDA granted Noveko a 510(k) submission number for the Noveko™ 3xEZ surgical mask, which means, in principle, that the application with respect to this mask was complete and that the FDA would proceed to assess the submission, but reserving the right to require additional information, which it has since done. In December 2008, we met with the Branch Chief, Infection Control Devices Branch, Center for Devices and Radiological Health, FDA and the FDA panel of reviewers to discuss the status of the 510(k) submission. The meeting allowed further clarification of the additional information required by the FDA in the file. We were then requested to provide supplementary tests to demonstrate a “log 4 reduction” bio-efficacy during short-term mask use and to establish an expiration date for appropriate labelling. At the beginning of April 2009, we filed the documentation relating to the results of the supplementary tests demonstrating a “log 4 reduction” bio-efficacy for a greater inoculums with the FDA. Later in April, we held discussions with the FDA to clarify the information still required subsequent to its review of the test results submitted earlier. We have taken the steps needed to fulfill these supplementary information requests. In this regard, we have been granted an extension until October 23, 2009. We remain optimistic as to obtaining FDA approval of the Noveko™ 3xEZ surgical mask, which would pave the way to its marketing as an antibacterial face mask in the United States.

In September 2009, we also held discussions with the FDA at a formal pre-IDE (*investigational device exemption*) meeting to consider an additional labelling claim for our Noveko™ face masks and respirators for their marketing as a medical device reducing exposure to airborne influenza particles. In this regard, dialogue is continuing to obtain clarifications and guidelines for providing the supportive data for a future submission to market the Noveko™ face masks and respirators with such an antiviral claim in the United States.

Effectiveness of Noveko™ Antimicrobial Face Masks Against the A (H1N1) Influenza Virus

In May 2009, we received the preliminary results of tests conducted by Microbiotest Lab, an independent laboratory located in Sterling, Virginia, USA, on the Noveko™ face masks with respect to a strain of the A (H1N1) influenza virus similar to the one responsible for the human swine flu. The purpose of these tests was to evaluate the effectiveness of Noveko™ face mask materials in neutralizing this virus on direct contact and to simulate the use of the face mask by a user. The tests demonstrated the bio-efficacy of a log 3 reduction over a period of 30 minutes, in other words, the effectiveness of our face masks in neutralizing 99.9% of the A (H1N1) influenza virus.

Additional Patent

In July 2009, the *US Patent and Trademark Office* (“USPTO”) issued an additional patent for Noveko’s antimicrobial filtration technology, a first patent having been issued by the *USPTO* in May 2006. This second U.S. patent reinforces the protection from which our antimicrobial face masks and respirators and antimicrobial air filters already benefit in several countries. In this regard, we would mention that an anonymous request for ex-parte re-examination of our patent was filed before the USPTO in May 2008. In July 2009, the USPTO rejected this request and our patent was thereby maintained.

Air Filtration Products

Antimicrobial Filtration Products

Air Filters for Farm Buildings

Our antimicrobial filtration technology has achieved promising breakthroughs in the hog farms market within the past fiscal year, attesting to the farming community’s growing interest in this technology, one of our growth vectors in the air filters segment. Farm producers are increasingly recognizing that their herds need protection against contamination from various airborne pathogens. To efficiently penetrate this market, we teamed up with distribution partners such as Monitrol Inc. (“Monitrol”), the exclusive distributor for the farm buildings market in North America, and Geosane SARL (“Geosane”), the exclusive distributor covering the French animal market.

During the fiscal year, we equipped new Quebec-based hog farm sites through Monitrol. It is to be noted that farms must generally replace filter cartridges every two years, providing the Company with a recurring source of revenues. We also reaped the first benefits of the agreement with Geosane, although they were weaker than initially expected. In fact, the global economic slowdown in fiscal 2009 combined with the effects of the A (H1N1) flu pandemic delayed any prospective increase in pork prices and created difficult conditions on global swine markets. Such conditions proved less favorable for infrastructure spending and somewhat delayed the rollout of the marketing of Noveko™ antimicrobial air filters during the year.

The restructuring currently under way in the swine industry should shift into a new growth phase in upcoming quarters. Industry leaders recognize that changes are needed in the area of production planning to ensure that a transition leads to a sustainable management model 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. Our market development efforts in this segment are benefiting from the results of the effectiveness tests on our air filters for hog farms. In September 2008, Dr. Scott Dee of the University of Minnesota disclosed the conclusive results of his work which, in addition to demonstrating the effectiveness of the Noveko™ antimicrobial air filters in blocking the transmission of viruses by filtration, also proved that the antimicrobial technology specific to the Company's air filters was able to inactivate the porcine reproductive and respiratory syndrome (PRRS) virus and other airborne pathogens. These results corroborated the findings previously obtained by Dr. Laura Batista of the Faculty of Veterinary Medicine of the Université de Montréal in cooperation with the Centre de développement du porc du Québec inc.

Further market development activities are underway in North America, South America, Europe and Asia where several farm sites have shown an interest in our antimicrobial filtration solutions.

Air Filters for the Transportation Industry

The August 2008 strategic acquisition of Purer Life, the provider of the filtering membranes used by Noveko, also paved the way for new applications in various promising industrial segments, notably the railway industry and the aeronautics field. In addition to the properties specific to Noveko's antimicrobial technology, 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, characteristics that are particularly valued in the transportation industry.

Since acquiring Purer Life, we have won antimicrobial air filters orders to replace some of the air filters used under the cars of Taiwan High Speed Rail Corporation's high-speed trains. Negotiations are still under way to conclude a longer-term agreement with this corporation. We are also in talks with other railway companies that have shown an interest in our filtration technologies.

The signature of an exclusive distribution agreement with Aerosys Technologies – previously referred to in this Management's Report – attests to potential new applications for our antimicrobial filtration technology. Thus, Aerosys Technologies has already successfully completed several of the prerequisite tests for the marketing of air filters incorporating Noveko's antimicrobial filtration technology in the aeronautics segment. Additional tests are under way, notably to certify the air filters in accordance with the industry's non-flammability standards. Aerosys Technologies also presented the new air filters incorporating Noveko™ technology at the Paris Le Bourget International Air and Space Show held in June 2009. Airlines have already shown an interest in fitting out their aircraft with such air filters, including Air Transat, as mentioned in the "Agreements and Orders - Product Development and Marketing" section of this Management's Report.

Air Filters in the Institutional, Commercial and Residential Markets

Noveko's antimicrobial filtration technology has the potential to generate several new applications designed eventually for healthcare institutions, commercial buildings, properties and residences. In this regard, the pooling of the technologies and distribution networks of Epurair increases our development potential in these markets. During the fiscal year ended June 30, 2009, we proceeded with the first installations of air filters incorporating Noveko's technology antimicrobial in commercial buildings in the Greater Montreal Area. Performance tests are currently in progress and the initial results have proven positive – especially in regard to the considerable air filtration capacity and greater longevity of the air filters. If the tests prove conclusive, the various parties involved will have to agree on the terms and conditions of the agreements to supply new air filters on a wider scale.

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 Epurair's technologies and distribution networks with Noveko's air filtration technology will allow us to develop promising new products, as explained in the previous paragraph of this Management's Report.

Sanitizers

Increased Demand and Production

During the fiscal year ended June 30, 2009, the activities related to the sanitizers marketed under the Azuro™ brand were integrated with those of Noveko, consistent with our objective of developing our line of antimicrobial products. Azuro™ products have achieved breakthroughs in the promising hospital and institutional segments. The current context of a pandemic and public health concerns have raised people's awareness of the importance of proper hand hygiene, leading to a sharp increase in the demand for sanitizers. Agreements such as those concluded with BLD and Microban also attest to the growing interest in these products – the reader is referred to the "Agreements and Orders - Product Development and Marketing" section of this Management's Report.

In recent months, we have taken the measures needed to ensure the required capacity is available to meet the growing demand for our sanitizers. To that effect, the value of our firm orders for our hand sanitizers, for the period beginning July 1, 2009, currently totals \$6 million. Negotiations are under way with respect to several more orders.

Agreement with Microban

The conclusion of an agreement with Microban granting us the right to sell our line of hand sanitizers under the Microban® brand represents a strategic step in developing the sanitizers market. We believe that the expertise and reputation associated with the Microban® brand will enable us to accelerate our penetration of the global hand sanitizers market in all business segments.

Medical Equipment

Portable real-time ultrasound scanners for use in human and veterinary medicine, developed and marketed by our subsidiary ECM, comprise the primary product line of our medical equipment segment. Noveko Algérie's import activities are also included in our medical equipment segment.

Ultrasound Scanners

In veterinary medicine, ECM remains a leader in the swine market, despite the crisis in the swine industry. ECM also benefits from an enviable competitive position in the bovine, ovine and caprine markets thanks notably to the network of 55 exclusive distributors it has successfully developed. During the fiscal year ended June 30, 2009, despite the difficulties encountered by the swine and bovine industries, ECM was able to maintain the sales volume of its ultrasound scanners for use in veterinary medicine. Conversely, in order to retain its market share, ECM had to lower the selling prices of its devices, leading to a decline in revenues for the fiscal year in this segment.

In June 2008, ECM launched the Imagyne™ ultrasound scanner, a high-end, fully-digital, 64-channel device that is competitively-priced and enables it to penetrate the promising human medicine market, especially in obstetrics, gynecology and vascular medicine. The response to the marketing initiatives in this market has been positive despite certain downward pressure on prices. Furthermore, marketing has been partly held up by the additional delays encountered in obtaining the required product approvals in each of the countries where it has been launched. In April 2009, ECM was granted Health Canada approval to sell the Imagyne™ ultrasound scanner in healthcare institutions across Canada. Over the next year, ECM plans to finalize the setting-up of an exclusive distributors network for the human medicine market, which already assures it of a presence in 28 countries. The Imagyne™ ultrasound scanner will also be designed for use in veterinary medicine, but to a lesser extent, notably for pets, a new market for ECM.

In October 2008, ECM launched the V-Scan™ ultrasound scanner, a light, compact and competitively-priced unit completing the line of ultrasound scanners for use in veterinary medicine, more specifically by breeders of small and medium-sized swine herds.

ECM is currently finalizing the development of another high-end ultrasound scanner that it intends to bring to market by the end of the 2009 calendar year. This scanner will first be intended for veterinarians, the newly targeted pets market and the equine market, and secondly, once the required approvals are obtained, it will be designed for use in human medicine, especially for emergency, anesthesia and army needs.

Noveko Algérie

In April 2009, following a tendering process, Noveko Algérie obtained significant new orders to supply various medical devices to the Algerian National Office of Equipment and Accessories for Handicapped People (“the NOEAHP”). The orders are estimated at approximately \$1.4 million and the devices are scheduled to be delivered throughout the calendar year ending December 31, 2009. The NOEAHP, already a client of Noveko Algérie, is an establishment under the jurisdiction of the Algerian Ministry of Labour and Social Security. Algeria is investing massively in connection with its healthcare sector reform, notably to build new infrastructures fitted out 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 medical equipment import activities.

Other

This business segment includes primarily the marketing management services Magnum provides for manufacturers and distributors of pharmaceuticals, over-the-counter drugs and medical devices. Magnum offers its complete expertise in sales, marketing, quality assurance and regulatory and scientific aspects to companies seeking to market their products in Canada, North America and overseas. Magnum continues to build upon its business model.

3. SELECTED CONSOLIDATED ANNUAL INFORMATION

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

Fiscal Years Ended June 30,	2009⁽¹⁾	2008	2007
Revenues ⁽²⁾	12,162	7,428	6,867
Gross margin	5,481	3,650	3,737
Loss before amortization, financial expenses, income taxes, other items and discontinued operations ⁽³⁾	(21,579)	(13,991)	(2,532)
Goodwill impairment charge ⁽⁴⁾	(3,600)	-	-
Loss from continuing operations	(28,860)	(14,071)	(4,035)
Loss from discontinued operations	(3,016)	(2,543)	(588)
Net loss	(31,876)	(16,613)	(4,623)
Loss per Class A share (basic and diluted)			
Continuing operations	\$(0.43)	\$(0.26)	\$(0.10)
Discontinued operations	\$(0.05)	\$(0.04)	\$(0.01)
Net loss	\$(0.48)	\$(0.30)	\$(0.11)
Weighted average number of Class A outstanding shares basic and diluted (in thousands)	66,611	54,767	41,650

Balance Sheet Data

June 30,	2009	2008	2007
Total assets	50,897	62,858	42,243
Shareholders' equity	38,487	49,773	27,351
Total interest-bearing debt ⁽⁵⁾	4,163	4,547	5,824
Cash, cash equivalents, short-term investments and deposit in trust	4,711	25,386	16,960

(1) The consolidated financial statements as at June 30, 2009 include the accounts of the Company and its wholly-owned subsidiaries Noveko, ECM, BLI, SyMa, Noveko Trading, Magnum, Unitam, Noveko Algérie, the Micron-Air group (including Gestion Simon Labrecque Inc., Epurair Industries Ltd.), Purer Life, U-Bond and Noveko Taiwan.

(2) Excluding BLI.

(3) Including stock-based compensation charge of \$11,036, \$7,229 and \$612 for the respective periods of 2009, 2008 and 2007, which has no impact on the cash balance.

(4) Step one of the Company's annual goodwill impairment tests resulted in a preliminary impairment (without impact on cash) within the medical equipment segment (ECM) reflecting market conditions, primarily the economic slowdown and the restructuring periods under way in the swine and bovine industries.

(5) Including long-term debt and its current portion, bank advances and bank loan, and short and long-term convertible debentures.

4. OPERATING RESULTS

Analysis of Consolidated and Segmented Results for the Fiscal Year Ended June 30, 2009 Compared with the Fiscal Year Ended June 30, 2008

As indicated in the introduction to this Management's Report, under the heading "Reclassified Financial Reporting", segmented information is now reported based on the following business segments: medical equipment, sanitizers, antimicrobial surgical masks and respirators, filtration products and other activities consisting primarily of the activities of the parent company, Noveko International, and Noveko Trading, and the marketing management services offered by Magnum to external clients.

Furthermore, as mentioned in the same section, as BLI's activities no longer fit with our growth strategy, we are actively continuing our efforts to sell this subsidiary.

Summary of Results from Discontinued Operations (BLI)

(in thousands of \$)

	2009	2008	2007
Revenues	5,590	7,088	5,978
Gross margin	526	1,339	1,034
Loss from discontinued operations	(3,016)	(2,543)	(588)

For this reason, BLI's results of operations and assets and liabilities have been withdrawn from continuing operations to be treated as discontinued operations in the Company's financial statements for the fiscal year ended June 30, 2009, as well as for the fiscal year ended June 30, 2008 for comparative purposes.

Consolidated and Segmented Revenues from Continuing Operations

(in dollars)

Fiscal Years Ended June 30,	2009	2008
Medical equipment	7,558,144	6,894,908
Sanitizers	540,779	371,417
Face masks	602,947	39,657
Filtration	2,692,726	62,239
Other	767,718	59,742
Total	12,162,314	7,427,963

Consolidated revenues for the fiscal year ended June 30, 2009 grew by \$4.7 million or 63.7% to \$12.2 million. This growth came primarily from:

- the \$0.7 million increase in revenues from the medical equipment segment which benefited from the contribution of Noveko Algérie acquired in July 2008, whereas revenues from the sale of ultrasound scanners for use in veterinary medicine declined due to the decrease in selling prices for these devices at a time when the swine and bovine industries are experiencing difficulties worldwide – however, these selling price adjustments enabled ECM to maintain its sales volume and leadership in a more challenging market;

- the increases of \$0.5 million and \$0.2 million in revenues recorded in the face masks and sanitizers segments respectively – it should be noted that the sharp increase in demand in the current context of a pandemic will yield benefits mostly in the coming fiscal years, given the sustained growth in orders for such products;
- the \$2.6 million increase in revenues from the filtration products segment thanks to the acquisition of Micron-Air and Purer Life, completed in July and August 2008 respectively, and the distribution agreements in the livestock farms market; and
- the \$0.7 million increase in revenues from the marketing management services offered by Magnum to external clients, namely manufacturers and distributors of pharmaceuticals, over-the-counter drugs and medical devices (other activities).

The operating profit margin slipped from 49.1% for the fiscal year ended June 30, 2008 to 45.1% for the fiscal year ended June 30, 2009. This decline is due primarily to the different product mix resulting from the acquisitions closed at the beginning of the year and downward adjustments in the prices of filtration products for livestock farms and medical equipment for use in veterinary medicine due to the difficulties that continue to affect the swine and bovine industries worldwide, as indicated previously.

Selling and administrative expenses increased by \$5.6 million or 58.1% to \$15.3 million due to the following main factors:

- the increase in the group's total payroll as a result of the acquisitions closed at the beginning of the year and the strengthening of the team at various levels of responsibility;
- the costs related to product marketing and selling initiatives in the different business segments; and
- the fees assumed by Noveko International with respect to its new status as a TSX-listed corporation.

Stock-based compensation charge, which has no impact on the Company's cash balance, increased by \$3.8 million compared with the previous year to \$11.0 million. Primarily pursuant to the acquisitions closed at the beginning of the fiscal year, the Company granted stock options to employees and consultants entitling them to purchase a total of 2,950,000 Class A shares at an average exercise price of \$2.76 per share with a vesting period extending over 12 to 30 months – whereas during the previous year, it had granted stock options allowing the purchase of 2,900,000 Class A shares at an average exercise price of \$6.51 per share with a vesting period extending over 18 months. In this regard, it should be noted that the Company uses the fair value based method of accounting for all options granted, whereby a stock-based compensation charge is recognized over the vesting periods of the options with a corresponding increase in contributed surplus. The change in stock-based compensation between fiscal 2009 and fiscal 2008 thus stems from the fact that stock-based compensation is recorded gradually. The fair value of the options was estimated using the Black and Scholes options pricing model based on the assumptions presented in note 22 "Stock Options Plan" accompanying the consolidated financial statements for the fiscal year.

Research and development costs increased by approximately \$0.3 million over the previous year to \$1.2 million, due notably to the costs related to the development phases and different effectiveness tests conducted in the face masks and filtration products segments.

Research and development tax credits grew by approximately \$0.3 million to more than \$0.5 million, this increase being divided almost equally among the filtration products, face masks and medical equipment segments.

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

(in dollars)

Fiscal Years Ended June 30,	2009	2008
Medical equipment	(238,542)	(172,337)
Sanitizers	(1,686,310)	(1,352,188)
Face masks	(2,286,884)	(1,682,842)
Filtration	(3,722,963)	(1,994,105)
Other	(13,644,590)	(8,789,796)
Total	(21,579,289)	(13,991,268)

Considering the aforementioned factors, **the loss before amortization, financial expenses, income taxes, other items and discontinued operations** totalled \$21.6 million, compared with an operating loss of \$14.0 million for the previous year. Segmented changes in the operating loss compared with the previous year are broken down as follows:

- a \$0.1 million increase in the operating loss from the medical equipment segment due notably to the aforementioned factors, i.e. the price adjustments to maintain the volume of ultrasound scanner sales in the swine and bovine markets, resulting in reduced revenues for ECM, and an increase in the total payroll subsequent to the strengthening of the technical team during the year, all offset primarily by the positive results posted by Noveko Algérie;
- an increase of more than \$0.3 million in the operating loss from the sanitizers segment caused by the higher stock-based compensation charge;
- an increase of more than \$0.6 million in the operating loss from the face masks segment due to an increase in the cost of marketing such products and stock-based compensation charge;
- a \$1.7 million increase in the operating loss from the filtration products segment due notably to the stock-based compensation charge which increased as a result of business acquisitions in this segment and the costs associated with creating the subsidiary Noveko Taiwan; and
- a \$4.9 million increase in the operating loss from other activities, due mainly to Noveko International whose stock-based compensation charge and total payroll were higher as a result of the growth in personnel; furthermore, the Company had to assume an increase in administrative expenses related to business development initiatives and its new status as a corporation listed on the Toronto Stock Exchange.

Amortization expenses amounted to \$2.0 million, this \$1.7 million increase being primarily attributable to the acquisitions closed at the beginning of the fiscal year, of which nearly half came from the amortization of intangible assets, notably patents in the filtration products segment.

Financial expenses less investment revenues totalled \$2.2 million, compared with a negative amount of approximately \$0.1 million for the previous fiscal year. This significant variation primarily reflects:

- a loss on currency contracts which resulted in a \$2.1 million difference compared with the previous year;
- a foreign exchange loss which increased by \$0.7 million on account of the increase in the U.S. dollar and the Euro in relation to the Canadian dollar;
- an increase of approximately \$0.1 million in interest on long-term debt, bank advances and bank charges, whereas accreted interest on secured convertible debentures decreased by approximately \$0.2 million as a result of the conversion of debentures during the year; and
- an increase of approximately \$0.3 million in investment revenues.

The Company recorded a \$3.6 million **goodwill impairment charge** in its financial statements as at June 30, 2009 related to the medical equipment segment (ECM), which impairment is without impact on the Company's cash balance. When it initiated its step-one analysis as at June 30, 2009, it was determined that a comprehensive step-two analysis of the goodwill for a business unit included in the medical equipment segment would be required because the net book value of this unit exceeded its estimated fair value. Based on a preliminary assessment determined using the discounted estimated future cash flows method, 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, the Company recorded a \$3.6 million goodwill impairment charge in its financial statements as at June 30, 2009. This impairment reflects market conditions related to ECM, primarily the economic slowdown and the restructuring periods under way in the swine and bovine industries. 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 2010 and the resulting final adjustments, if any, would result in a non-cash adjustment to the consolidated statement of operations.

Net Loss from Continuing Operations

(in dollars)

Fiscal Years Ended June 30,	2009	2008
Medical equipment	(4,284,262)	(311,347)
Sanitizers	(1,765,542)	(1,280,275)
Face masks	(2,294,519)	(1,740,628)
Filtration	(3,963,997)	(1,994,105)
Other	(16,551,391)	(8,744,373)
Total	(28,859,711)	(14,070,728)

Considering the aforementioned factors and the fact that the Company recorded income tax recoveries of more than \$0.3 million and future income taxes of approximately \$0.3 million, **the net loss from continuing operations** for the fiscal year ended June 30, 2009 amounted to \$28.9 million, compared with a net loss of \$14.1 million for the previous year.

As detailed in note 5 “Discontinued Operations and Assets Held for Sale” accompanying the consolidated financial statements for the fiscal year, a \$3.0 million loss from discontinued operations (BLI) was recorded in the year’s results, compared with \$2.5 million for the previous year; consequently, **the net loss** amounted to \$31.9 million, compared with \$16.6 million for the fiscal year ended June 30, 2008.

Considering a net change in unrealized gains on translation of the financial statements of self-sustaining foreign operations of \$0.5 million for the fiscal year, compared with an unrealized loss of \$0.8 million for the previous year, a net loss of \$31.4 million represented **the comprehensive loss** for the fiscal year ended June 30, 2009, compared with a net loss of \$17.4 million for the previous year.

The loss per Class A share (basic and diluted) from continuing operations amounted to \$0.43 on a weighted average of 66,610,725 outstanding shares, compared with a loss per share of \$0.26 on a weighted average of 54,767,174 shares for the previous fiscal year. The increased weighted average number of outstanding shares is due to the share issues during the fiscal year ended June 30, 2009, as described in detail in note 21 accompanying the financial statements on the Company’s capital stock. **The net loss per Class A share (basic and diluted)** totalled \$0.48, after accounting for a loss from discontinued operations of \$0.05, compared with \$0.30 for the previous year, after accounting for a loss from discontinued operations of \$0.04.

Principal Quarterly Financial Information (Unaudited)

(in thousands of \$, except per-share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2009				
Revenues	2,272	3,908	2,609	3,373
Loss from continuing operations	(6,281)	(6,740)	(5,577)	(10,262)
Comprehensive loss	(6,699)	(5,305)	(6,931)	(9,411)
Loss per Class A share from continuing operations (basic and diluted)	(0.10)	(0.10)	(0.08)	(0.15)
Fiscal 2008				
Revenues	1,295	2,182	1,621	2,331
Loss from continuing operations	(2,127)	(1,701)	(3,418)	(6,825)
Comprehensive loss	(2,230)	(1,534)	(2,573)	(6,928)
Loss per Class A share from continuing operations (basic and diluted)	(0.04)	(0.04)	(0.06)	(0.12)

Analysis of Consolidated and Segmented Operating Results for the Fourth Quarter Ended June 30, 2009 Compared with the Fourth Quarter Ended June 30, 2008

Consolidated and Segmented Revenues from Continuing Operations

(in dollars)

Quarters Ended June 30,	2009	2008
Medical equipment	1,880,108	2,146,366
Sanitizers	151,702	77,816
Face masks	261,822	18,221
Filtration	962,782	28,595
Other	116,882	59,742
Total	3,373,296	2,330,740

Consolidated revenues for the fourth quarter ended June 30, 2009 grew by \$1.0 million or 44.7% to \$3.4 million. This growth came primarily from:

- a \$934,187 increase in revenues from the filtration products segment thanks to the acquisition of Micron-Air and Purer Life and the new distribution agreements in the livestock farms market;
- the increases of \$243,601 and \$73,886 in revenues recorded in the face masks and sanitizers segments respectively, reflecting a sales growth;
- a \$57,140 increase in revenues (other activities) from the marketing management services offered by Magnum to external clients, i.e. manufacturers and distributors of pharmaceutical, over-the-counter drugs and medical devices;
- whereas revenues from the medical equipment segment decreased by \$266,258 from the corresponding period of 2008, despite the contribution of Noveko Algérie. The decline in revenues in this segment is primarily attributable to the crisis in the swine and bovine industries worldwide, which slowed down ECM's business and forced it to lower the selling prices of its ultrasound scanners for use in veterinary medicine in order to retain its market share.

Selling and administrative expenses increased by \$1.4 million to \$4.1 million, due primarily to the following factors:

- the increase in the group's total payroll subsequent to the acquisitions closed at the beginning of the year and the strengthening of the team at various levels of responsibility;
- the costs related to product marketing and selling initiatives in the different business segments; and
- the fees related to the Company's new status as a corporation listed on the Toronto Stock Exchange.

Stock-based compensation charge decreased by \$2.4 million from the corresponding quarter of the previous year to \$1.7 million. This decrease is due to the fact that in the fourth quarter of the year, the Company granted only a few new stock options, unlike last year when, in addition, the exercise price of the options was higher.

Research and development costs decreased by \$0.3 million from the corresponding quarter of the previous year to \$0.3 million, the platform of new-generation ultrasound scanners for use in human and veterinary medicine being virtually complete. **Research and development tax credits** remained relatively stable compared with the fourth quarter of 2008.

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

(in dollars)

Quarters Ended June 30,	2009	2008
Medical equipment	(232,346)	(337,081)
Sanitizers	(60,748)	(965,095)
Face masks	(722,912)	(1,063,331)
Filtration	(1,374,845)	(896,512)
Other	(2,611,145)	(3,322,811)
Total	(5,001,996)	(6,584,830)

Considering the aforementioned factors, **the loss before amortization, financial expenses, income taxes, other items and discontinued operations** amounted to \$5.0 million for the fourth quarter ended June 30, 2009, down by \$1.6 million from the corresponding quarter of the previous year. Segmented changes in the operating loss are broken down as follows:

- a \$0.1 million decrease in the operating loss from the medical equipment segment thanks to the first benefits of the new orders won by Noveko Algérie during the fourth quarter ended June 30, 2009, which did not fully offset the decrease in revenues and margins from ultrasound scanners for use in veterinary medicine because of the difficult situation in the swine and bovine markets;
- a decrease of more than \$0.9 million in the operating loss from the sanitizers segment, primarily attributable to the decline in the stock-based compensation charge;
- a \$0.3 million decrease in the operating loss from the face masks segment due to a decline in the compensation charge and an increase in sales and the gross margin;
- a \$0.5 million increase in the operating loss from the filtration products segment caused notably by an increase in the stock-based compensation charge and an increase in selling and administration expenses and research and development costs attributable to acquisitions; and

- a \$0.7 million decrease in the operating loss from other activities, mainly Noveko International, whose stock-based compensation charge was down from the fourth quarter of the previous year due to the fact that it granted few stock options during the fourth quarter of the fiscal year. This lower compensation charge largely offset the increased selling and administrative expenses due to the addition of personnel and acquisitions.

Net Loss from Continuing Operations

(in dollars)

Quarters Ended June 30,	2009	2008
Medical equipment	(3,539,670)	(350,334)
Sanitizers	(76,366)	(898,662)
Face masks	(715,256)	(1,076,629)
Filtration	(1,185,548)	(896,512)
Other	(4,745,288)	(3,602,621)
Total	(10,262,128)	(6,824,758)

The fourth-quarter **net loss** amounted to \$10.3 million, compared with a net loss of \$6.8 million for the corresponding quarter of the previous year, considering the aforementioned factors and a \$3.6 million goodwill impairment charge attributable to ECM, as mentioned previously regarding the net loss for the fiscal year ended June 30, 2009. Considering a net change in gains on translation of the financial statements of self-sustaining foreign operations of \$0.9 million for the quarter, whereas the net change in losses was \$0.1 million for the fourth quarter of the previous year, a net loss of \$9.4 million represented the fourth-quarter **comprehensive loss**, compared with \$6.9 million for the corresponding quarter of the previous year.

The loss per Class A share (basic and diluted) from continuing operations amounted to \$0.15 on a weighted average of 66,610,725 outstanding shares, compared with a loss per share of \$0.12 on a weighted average of 54,767,174 shares for the previous year. The net loss per Class A share (basic and diluted) totalled \$0.19 after accounting for a loss from discontinued operations of \$0.04, compared with \$0.17 for the previous year, after accounting for a loss from discontinued operations of \$0.05.

5. FINANCIAL POSITION

Analysis of Principal Cash Flows for the Fiscal Year Ended June 30, 2009

(in dollars)

Fiscal Years Ended June 30,	2009	2008
Operating activities		
Net loss	(31,875,614)	(16,613,388)
Adjustments for loss from discontinued operations, future income taxes, accreted interest on debentures, stock-based compensation, amortization, gain on disposal of fixed assets, goodwill impairment charge, fair value adjustment on currency contracts, loss (gain) on fair value of short-term investments, foreign exchange gain on disposal of short-term investments and foreign exchange loss (gain)	19,140,354	10,647,958
Net change in non-cash working capital	(1,217,762)	(3,020,994)
Total	(13,953,022)	(8,986,424)
Financing activities	3,023,694	20,959,437
Investing activities	1,021,364	(2,866,898)
(Foreign exchange loss) gain 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, end of year	937,319	11,594,335

For the fiscal year ended June 30, 2009, **operating activities after net change in non-cash balances related to operations** used cash flows of approximately \$14.0 million, compared with a cash outflow of \$9.0 million for the previous year. This change is due primarily to the increase in the net loss, less adjustments for the loss from discontinued operations, future income taxes, accreted interest on debentures, stock-based compensation, amortization, gain on disposal of fixed assets, goodwill impairment charge, fair value adjustment on currency contracts, gain on fair value of short-term investments, foreign exchange gain on disposal of short-term investments and foreign exchange loss. Net change in non-cash working capital represented a cash outflow of \$1.2 million, compared with a cash outflow of \$3.0 million for the previous year. This variation is due primarily to the increase in accounts receivable and inventories resulting notably from acquisitions in the filtration products and medical equipment segments.

Financing activities provided cash flows of \$3.0 million, compared with \$21.0 million for the previous fiscal year. This change is due to the fact that during the fiscal year ended June 30, 2008, the Company had issued Class A shares and warrants that had been exercised at year-end, compared with Class A share and warrant issues for a total of \$4.0 million during the fiscal year ended June 30, 2009 – it should be noted in this regard that during the first quarter ended September 30, 2008, the Company had issued 1.1 million Class A shares, which were subscribed by the former owner of U-Bond (in connection with the Company's acquisition of U-Bond on August 1, 2008). This issue represented an amount of approximately \$3.4 million. In addition, warrants and stock options were exercised for an amount of \$0.6 million. The year-to-date net change in bank advances and bank loan represented a cash outflow of more than \$0.5 million, this amount having been used primarily to the repayment of bank loans. The Company also paid interest of \$0.2 million on secured convertible debentures. Finally, since the beginning of the year, long-term debt has increased by approximately \$0.2 million and the Company has made a principal repayment on long-term debt of \$0.5 million.

Investing activities provided cash flows of \$1.0 million, whereas they used cash flows of \$2.9 million during the previous year. This change is due primarily to the fact that the Company cashed short-term investments of \$8.5 million during the year, compared with \$1.6 million the previous fiscal year. The Company used these funds mainly for business acquisitions that represented a cash consideration of \$5.9 million, the implementation of an integrated management system and the purchase of intellectual property; in addition, capitalized development costs represented more than \$0.3 million.

Consequently, aggregate cash inflows and outflows used **net cash flows** of \$10.7 million, whereas they provided cash flows of \$8.9 million for the previous year. The Company ended the fiscal year with **cash and cash equivalents** of \$0.9 million, compared with \$11.6 million as at June 30, 2008.

Balance Sheet Analysis as at June 30, 2009

Summary Balance Sheet

	As at June 30, 2009	As at June 30, 2008
Current assets	16,579,552	33,415,729
Current portion of assets held for sale	1,998,371	3,750,470
Long-term assets	28,481,877	19,862,928
Non-current portion of assets held for sale	3,836,738	5,829,163
Total	50,896,538	62,858,290
Current liabilities	4,434,543	3,767,313
Current portion of liabilities held for sale	2,126,397	2,861,630
Long-term liabilities	3,924,773	3,834,797
Non-current portion of liabilities held for sale	1,924,217	2,621,403
Shareholders' equity	38,486,608	49,773,147
Total	50,896,538	62,858,290

The changes in the Company's financial position between June 30, 2008 and June 30, 2009 notably reflect the period's results – the use of short-term investments as explained previously – the acquisition of Unitam, Noveko Algérie, Micron-Air, Purer Life and U-Bond – and the treatment of BLI's activities as discontinued operations as at June 30, 2009.

The acquisitions closed in July and August 2008 explain the increases of \$1.7 million in fixed assets and of \$7.9 million in intangible assets, consisting notably of intellectual property, over June 30, 2008. BLI's net assets held for sale represented an amount of \$1.8 million, as indicated in further detail in note 5 accompanying the financial statements for the year.

As at June 30, 2009, **total assets** amounted to \$50.9 million, down by \$12.0 million from June 30, 2008. **Working capital** stood at \$12.0 million for a current ratio of 2.8:1, compared with \$30.5 million and a 5.6:1 ratio as at June 30, 2008.

Shareholders' equity totalled \$38.5 million, compared with \$49.8 million as at June 30, 2008, primarily reflecting the \$10.7 million increase in capital stock subsequent to the Class A share issues and the \$10.8 million increase in contributed surplus reflecting the stock-based compensation charge, less a \$31.9 million increase in the deficit.

Indebtedness (\$)

	As at June 30, 2009	As at June 30, 2008
Bank advances and bank loan	162,970	693,543
Current portion of long-term debt	754,584	416,944
Long-term debt	1,455,182	973,462
Short and long-term secured convertible debentures	1,789,827	2,462,909
Total debt	4,162,563	4,546,858

Total interest-bearing debt (consisting of bank advances and bank loan, current portion of long-term debt, long-term debt and secured convertible debentures) amounted to \$4.2 million as at June 30, 2009, compared with \$4.5 million as at June 30, 2008. This \$0.3 million reduction stemmed from the \$0.7 million decrease in convertible debentures due to the conversion of debentures for a total principal amount of \$1.0 million into 800,000 Class A shares during the period and the decrease in bank advances and bank loan of more than \$0.5 million, whereas long-term debt including the current portion increased by \$0.8 million subsequent to the acquisitions closed in the first quarter.

Capital Stock Information

During fiscal 2009, the Company issued approximately 4.0 million Class A shares for a total of \$10.7 million, including 500,000 shares for an amount of \$1,976,500 in consideration of the acquisition of all the issued and outstanding shares of Unitam — 240,000 shares for an amount of \$921,120 in consideration of the acquisition of all the issued and outstanding shares of Noveko Algérie, to which were added 16,800 shares issued for a amount of \$64,680 in consideration of fees paid in connection with this acquisition — 600,000 shares for an amount of \$2,302,800 in consideration of the acquisition of 50% of the issued and outstanding shares of Micron-Air and all the issued and outstanding shares of Gestion Simon Labrecque Inc. — and 1,100,000 shares for a cash consideration of \$3,355,000 in connection with the acquisition of U-Bond.

In addition, the Company issued 202,500 Class A shares subsequent to the exercise of warrants for a cash consideration of \$236,575 and a transfer of \$85,983 from warrants. It also issued 511,666 Class A shares subsequent to the exercise of stock options for a cash consideration of \$427,582 and a transfer of \$300,311 from contributed surplus. Finally, 800,000 Class A shares were issued subsequent to the conversion right of \$1,000,000 of convertible debentures. Amounts of \$774,953 and \$239,064 were transferred from the secured convertible debentures and from the portion of secured convertible debentures included in equity, respectively.

Considering these issues, the Company's capital stock consisted of 67,058,693 Class A shares as at June 30, 2009, compared with 63,087,727 Class A shares as at June 30, 2008.

Other Contractual Commitments

As at June 30, 2009, the balance of contractual commitments under the terms of leases for the rental premises maturing in 2014 totaled \$2.6 million. Minimum lease payments over each of the next five years are as follows:

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

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 \$6.0 million. 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 had yet been made under the terms of 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 this invention. As at June 30, 2009, \$10,045 (\$2,287 as at June 30, 2008) had been paid under the terms of this agreement.

Related-Party Transactions

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

On July 17, 2007, the Company acquired a building from a company whose shareholder directors exercise significant influence on the Company. This acquisition, not in the normal course of business, was recorded at the market value determined by an independent real estate appraiser. The acquisition was settled by a cash consideration of \$1.2 million.

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

Financial Instruments

The fair value of cash and cash equivalents, deposit in trust, trade receivables, advances to shareholders, other receivables, interest receivable, bank advances and bank 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 prime rate plus 1.0% to 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.

The book value and the fair value of other financial assets and liabilities at year-end were broken down as follows:

As at June 30,	2009		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 sale	\$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 were as follows:

i) Short-term investments:

The fair value was determined using the market value.

ii) Long-term debt:

The fair value was 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.

Sources and Requirements of Funds in 2009-2010

Since its inception, the Company has had recourse to public investments and private placements to finance its growth. As it grows, the Company will also be able to take advantage of debt financing to finance its future projects. ECM has a credit facility on demand of 200,000 €, of which 140,625 € (or \$229,177) was used as at June 30, 2009. This credit bears interest at the prime rate of the financial institution plus 1.2%. SyMa has a credit facility on demand of \$150,000 that was unused as at June 30, 2009. This credit, bearing interest at the prime rate of the financial institution plus 2.5%, is secured by a certificate of deposit held by the Company and is renewable annually. Micron-Air has a credit facility on demand of \$250,000, of which \$150,366 was used as at June 30, 2009. This credit, bearing interest at the prime rate of the financial institution plus 1.5%, is renegotiable annually. According to the covenants of the bank advance, this advance is limited to a value of inventories and accounts receivable and Micron-Air must maintain a minimum current ratio, debt-to-equity and net worth of \$400,000. As at June 30, 2009, the subsidiary did not meet all of its ratios. Unitam has a credit facility of \$15,000 that was unused as at June 30, 2009. This credit, bearing interest at the prime rate of the financial institution plus 3.0%, is secured by accounts receivable and the personal guarantee of a director. This credit is renewable annually.

Private Placement in Progress — On September 4, 2009, the Company announced the conclusion of an agreement pursuant to which Desjardins Securities Inc. is acting as lead agent on behalf of a syndicate of agents to raise approximately C\$10 million of units (the “units”) by way of a best efforts private placement (the “offering”). The placement process is currently under way and should close in the near term. The reader is referred to the “Private Placement of Approximately \$10 Million” section of this Management’s Report for further details in this regard.

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

We have been listed on the Toronto Stock Exchange since July 28, 2008. Prior to being listed on the Toronto Stock Exchange, the Company was a venture issuer pursuant to National Instrument 51-102 – Certification of Disclosure in Issuers’ Annual and Interim Filings (“NI 52-109”). As such, in contrast to the certificate required under NI 52-109, the Company’s Venture Issuer Basic Certificate did not include any representations relating to the establishment and maintenance of a system of disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as defined in NI 52-109. In particular, the certifying officers filing the certificate were not making any representations relating to the establishment and maintenance of: (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its reports filed or submitted under applicable securities legislation were recorded, processed, summarized and reported within the time periods specified in securities legislation; and (ii) processes to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP. However, our certifying officers were responsible for ensuring that processes were in place to provide them with sufficient knowledge to support the representations they were making in their certificate.

Disclosure controls and Procedures

Our management is responsible for establishing and maintaining 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 of June 30, 2009, 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 President and Chief Executive Officer and Chief Financial Officer determined that there were material weaknesses in the design and efficiency of our DC&P. However, the DC&P deficiencies that we identified did not result in adjustments to our annual or any interim consolidated financial statements for the fiscal years ended June 30, 2009 and 2008. 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 fiscal years ended June 30, 2008 and 2009.

Internal controls over financial reporting

Our 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 the design and effectiveness of our ICFR, under the supervision of and with the participation of our management, including our President and Chief Executive Officer and Chief Financial Officer as to the material weaknesses relating to the design and effectiveness of our ICFR as of June 30, 2009. This evaluation was based on the framework set forth in 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 President and Chief Executive Officer and Chief Financial Officer have determined that there existed material weaknesses in the design and effectiveness of our ICFR. The ICFR weaknesses we identified did not result in adjustments to our annual or any interim consolidated financial statements for the fiscal years ended June 30, 2009 and 2008. Following our assessment, we identified the following material weaknesses:

Information technology general controls

We did not adequately maintain effective control over our inventory management and 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.

Period-end financial reporting process

We did not maintain effective controls over the period-end financial reporting process. Specifically, controls were not in place to ensure that (i) consolidation journal entries and more complex recurring and non recurring journal entries are reviewed by a person other than the preparer (ii) quarterly disclosure checklist is used to ensure compliance with Canadian GAAP, (iii) access to the spreadsheets used during our period end process is restricted to appropriate personnel within the accounting department and (iv) all account balances requiring the use of accounting estimates are reviewed by a person other than the preparer.

We became aware of weaknesses associated with the foreign currency translation of our foreign subsidiaries. The internal control weaknesses are related to an inadequate design of review controls regarding the accounting of the foreign currency translation of foreign subsidiaries during the consolidation process. These weaknesses could result in material misstatements in amounts reported for unrealized gains or losses in the financial statements of self sustaining foreign operations.

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, weekly management meetings, quarterly reviews of financial statements by our subsidiaries and by the Audit Committee. These manual procedures were performed for the fiscal years ended June 30, 2009 and 2008.

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

Subsequent to June 30, 2009, we have initiated the following actions to address the material weaknesses in DC&P and our ClFF identified as of June 30, 2009.

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 regards to inventory controls and to system's change management, program development, access over period-end process spreadsheets, IT operations and related monitoring. The implementation of the new accounting system during this fiscal year shall overcome the accounting system inventory controls and access deficiencies. We will develop and implement a global information technology strategic plan and a business continuity plan.

Period-end financial reporting process

We will continue to develop controls over the period-end financial reporting process where feasible. As the Company grows, we plan to expand the number of individuals involved in the financial close process and enhance the level of accounting knowledge. As for the control issues with respect to accounting for foreign currency translation of foreign subsidiaries during the consolidation process, they have been addressed and management has modified some processes and added controls to correct these weaknesses.

Inadequate segregation of duties

We will continue to use appropriate measures to restrict or independently monitor systems access and/or 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.

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, President and Chief Executive Officer and Chief Financial Officer, think necessary. Again, the control deficiencies which we identified did not result in adjustments to our annual or any interim consolidated financial statements for the fiscal year ended June 30, 2009 or in any previous years.

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 fiscal year ended June 30, 2009 that have materially affected or are reasonably likely to materially affect our ICFR. Our management, including our President 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.

Scope Limitation

We also carried out an evaluation of the material weaknesses of our DC&P and ICFR, under the supervision of and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer as to the material weaknesses relating to the design of our DC&P and ICFR as of June 30, 2009 for Noveko Algérie and Purer Life, respectively acquired on July 17 and August 1, 2008. We have determined that a scope limitation exists with respect to those two acquisitions, which includes risks that could reasonably result in a material misstatement in their interim filings. Therefore, the certifying officers limit the scope of their design of DC&P and ICFR for Noveko Algérie and Purer Life. However, as required by Section 3.3 of the NI 52-109, the following summary financial information about those acquired businesses is provided:

	Purer Life	Noveko Algérie
Revenues	1,013,057	2,118,976
Net earnings (loss)	56,783	(513,516)
Current assets	767,313	2,164,021
Long-term assets	113,249	148,803
Current liabilities	278,602	1,586,224
Long-term liabilities	-	826,876

7. 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. You should carefully consider the risks and uncertainties described below before making any decision to purchase or to sell any of our securities. The risks and uncertainties below are not the only ones we may face. Additional risks and uncertainties not presently known to us or that we believe immaterial could turn out to be material and may adversely affect our business. If any of the following risks occur, our business, financial condition and results of operations could be seriously harmed and you could lose all or part of your investment. Further, if we fail to meet the expectations of the public market in any given period, the market price of our Class A Shares could also decline. The analysis provided below contains looking forward statements that may differ materially from future actual results.

Risks Related to Our Financial Condition

We have no record of profit

To date, we have not recorded a profit from operations. Our working capital is coming essentially from the sale of our securities (including our convertible debentures). In fact, we have incurred significant losses to date and there can be no assurances that our future business activities will be profitable. Our ability to operate profitably and generate positive cash-flow in the future will be affected by a variety of factors (including, our ability to further develop our technologies and products, the pace of entry of our products into their respective target markets, the intensity of the competition we will experience, and the availability of additional capital to pursue our business plan). An inability to generate sufficient funds from operations will have a materially adverse effect on the Corporation's business, results of operations and financial condition.

We will require additional financing

In order to continue our activities and sustain our growth, we will need within a short period of time to obtain additional financing from lenders or equity markets, or both. We are currently proceeding with a private placement, as described under the section "Private Placement of Approximately \$10 Million" of this Management's Report. No guarantee can be provided that it will be successful.

Even if the outcome of this private placement is positive, we will need to raise additional funding in the future in order to sustain our growth. We may be unable to raise such additional funds on commercially reasonable terms. Our ability to arrange such financing in the future will depend on our business performance as well as prevailing capital markets conditions. If we are unable to raise additional funds when needed, the survival of our business will be jeopardized. Any equity financing may also be dilutive to existing shareholders.

Economic Risks

Current Economic Conditions

An economic slowdown could result in a decrease in demand for our products. Growth in our customers' businesses is affected by the economic environment and could therefore impact the Corporation's results. We cannot predict the impact of current economic conditions on our future results, nor the timing of an economic recovery. The current period of economic slowdown may cause our existing and potential customers to reduce or delay purchases or projects or defer contracts currently underway. This situation could also lead to greater delays and defaults in payments or debt collection, resulting in lower operating results. Increased competitive pressures during an economic downturn could also result in sales price decreases.

Foreign Exchange Risk

We anticipate earning a significant portion of our revenues from operations outside Canada. Accordingly, a substantial portion of our revenues is earned in foreign currencies (mostly US dollars and Euro) while a substantial portion of our operating expenses is incurred in Canadian dollars. Fluctuations in the exchange rate between those foreign currencies and the Canadian dollar may have a material adverse effect on our results. In addition, we are exposed to unrealized exchange gains and losses with respect to the translation of monetary assets and liabilities held in currencies other than the Canadian dollar. Our actual largest exposure is with respect to the U.S. dollar.

We are doing business internationally

Our subsidiaries are located in Canada, Europe, North Africa, and Taiwan. We market a large proportion of our products outside Canada and expect our sales in foreign markets to increase in the near future. These foreign operations require significant management attention and financial resources while additionally subjecting us to risks inherent in doing business internationally. International business activities entail inherent risks such as trade barriers, political risks, uncertainty as to the protection and use of intellectual property in foreign countries, increase in taxes (including value added taxes) and changes in law and policies affecting our operations. Our failure to properly comply or address any of the above factors could greatly mitigate the success of our international operations and have a material adverse effect on our operating performance and financial condition.

Our subsidiaries are doing intercorporate transactions

We conduct business operations through subsidiaries in various jurisdictions. Certain members of our Group provide products and services to, and may from time to time undertake certain significant transactions with, other members and sometimes in other jurisdictions. Our future income and cash may be adversely affected if any of the taxation authorities in these various jurisdictions were successful in challenging our transfer pricing policies.

Other Tax Issues

Although we are of the view that all expenses and tax credits claimed by us, including research and development expenses and tax credits, are reasonable and deductible and have been correctly determined, there can be no assurance that the Canadian or foreign taxation authorities will agree. If these taxation authorities successfully challenge the deductibility of our expenses or the correctness of income tax credits claimed, our operating results could be adversely affected. We may, directly or indirectly, through our subsidiaries, be subject to taxes

with respect to our operations in foreign jurisdictions. Although we are of the view that our books and registers as well as our financial statements reflect adequately our liabilities with respect to such foreign taxes, these foreign jurisdictions could however challenge our liabilities for such foreign taxes, which could adversely affect our operating results.

Business Risks

Disclosure controls and procedures and internal controls over financial reporting

The Corporation's management is responsible for establishing and maintaining a system of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") as defined in National Instrument 52-109. In this Management's Report, under section "Disclosure Controls and Procedures and Internal Control over Financial Reporting", the management identified material weaknesses in connection with its DC&P and ICFR and concluded that such DC&P and ICFR are not efficient. Even if the DC&P and ICFR material weaknesses identified by the management did not result in adjustments to our annual or interim consolidated financial statements for the fiscal years ended June 30, 2009 and 2008, they however constitute risk factors the reader should be aware of.

Risks Related to the Ability to Meet Demand for Antimicrobial Products

The global market for antimicrobial surgical masks and respirators, and air filters holds significant potential that we intend to further develop considering the advantages related to our products' antimicrobial properties in a context of epidemic and pandemic threat. We have entered into different strategic alliances for the production and marketing of our products. We are actively pursuing initiatives to build up a reliable antimicrobial surgical mask and respirators and air filters production and distribution capacity in order to meet the demand resulting from our market development efforts. However, we have just started operating in this field and there are risks that we could be unable to meet the entire demand due, in case of epidemic or pandemic, to a lack of production or distribution capacity or in reason of regulatory issues.

Our capacity to protect our intellectual property

The success of the Group will depend, to a certain extent, upon our ability to protect our core technologies and intellectual property. To accomplish this, we rely on a combination of intellectual property rights, including patents, trade secrets, trademarks, and copyrights, as well as customary contractual protections. We do not know whether any of our pending patent applications will result in the issuance of patents or whether the examination process will require us to narrow or amend our claims. Any patents granted to us may be contested, circumvented or invalidated over the course of our business, and we may not be able to prevent third parties from infringing these patents. Enforcing our intellectual property rights could cause us to incur substantial legal costs, distract our management from running our business, cause significant delays in the commercialization of our products. The outcome of any litigation or negotiation is unpredictable. Infringements may occur in jurisdictions where intellectual property rights are not protected as well as in North America. Therefore, the exact effect of the protection of these patents cannot be predicted with certainty. We could also face competition in jurisdictions where patents have not been yet granted to us.

We may also become subject to claims by third parties that we infringe their intellectual property rights. Any such claim of infringement, even those without merit, could involve the same consequences than those occasioned to protect our own intellectual property.

We also rely on trade secrets and know-how, which are not protected by patents. We try to protect this information by entering into confidentiality undertakings with parties that have access to it, such as our current and prospective third party product manufacturers, distributors, employees and consultants. Any of these parties may breach the undertakings and disclose our confidential information. Enforcing a claim that a third party illegally obtained our trade secrets or is using them, is difficult, expensive, time consuming and the outcome is unpredictable.

We believe that our antimicrobial filtration technology used in our antimicrobial surgical masks and respirators, and in some of our air filter products, have unique features. Our antimicrobial filtration technology is protected by various patents and pending patents applications. One of our patents has already been revised by the USPTO further to an anonymous request for an Ex Parte Reexamination. Our patent has been maintained but we cannot guarantee that such patent (or our other patents and pending patents) will not be contested again at the administrative level or before the Courts.

There are currently a few other manufacturing processes to render masks antibacterial, like soaking of masks into, or coating with, an antibacterial solution. However, we believe that our manufacturing process is more efficient and less costly than these others. In Noveko's proprietary manufacturing process, the chemical agents that inactivate bacteria and viruses are impregnated or molecularly bounded into the fibers. Other manufacturing processes for which chemical agents are not impregnated or molecularly bounded could be hazardous if the chemical agents are released and could have a shorter lifespan than our products if the chemical compounds evaporate.

Several of our products are strictly regulated

Several of our products are regulated as medical devices (masks, ImaGyne ultrasound scanners), as natural health products, cosmetic or as drug (Azuro™ products, depending upon the jurisdiction) or otherwise regulated because some of them contain antimicrobial or chemical agents. Therefore, you should be aware of the risks, problems, delays, expenses and difficulties we may encounter in light of the extensive regulatory environment within which our business is carried out. Regulations are not the same in the several jurisdictions where we market or intend to market our products, which constitute a further difficulty. Such regulations govern, among others, approval of manufacturing facilities, conditions applicable to the manufacturing processes, the procedures that may be required for testing the effectiveness or the safety of our products, or labeling and promotional materials requirements. This regulatory oversight also requires a strict adherence to applicable GMP (good manufacturing practices) and ISO standards. To obtain the required regulatory approvals is a lengthy, expensive and uncertain process. Any failure or delay in obtaining regulatory approvals could have a material adverse effect on our business, results and financial condition. Furthermore, product approvals may be withdrawn or not renewed if compliance with regulatory standards is not maintained or if conditions attached to these approvals are not fulfilled. For a detailed description of our current FDA 510(k) submission for our surgical masks, please refer to *Antimicrobial Surgical Masks and respirators*.

Our antimicrobial surgical masks and respirators, and air filters may not be accepted by the potential customers

Our antimicrobial surgical masks, respirators and air filters are new to the market. While we believe that our products provide significant advantages over the competition, there can be no assurance that we will be successful in commercializing them. Potential lack of customers or delays in product acceptance would have a material adverse effect on our business, results and financial condition.

Supplier dependency for chemical compounds

We depend on a few numbers of suppliers to provide us with the various components entering into our products. It is particularly important to maintain consistency in the chemical compounds used in our mask manufacturing. Changing the chemical compounds could require re-validation of their properties. Failing to validate the similarity in properties, we could be required to file in connection with the commercialization of our masks in the US a new 510(k) submission with the FDA. New delays could then be incurred, which could have a material adverse effect on our business in the USA, and on our results and financial condition.

Raw Material Costs

Raw materials represent a significant input into our manufacturing process. Although a wide variety of raw materials is used by our subsidiaries, the main raw materials in antimicrobial masks, respirators, and filters are polypropylene and chemical additives. Polypropylene prices are correlated, among other things, to crude oil prices and polymer manufacturing capacity and demand. Significant increases in raw material prices could have a material adverse effect on our results and financial condition although same effects will also affect our competitors.

Air Filtration Products

Even if we consider that our antimicrobial filtration technology combined with Purer's 3-D weaving technology constitutes significant advantages over the competition, Noveko's air filtration products are new on the market in which we are competing with corporations having substantially more resources than us to commercialize their products. In order to penetrate this huge market, our current strategy is to develop and commercialize air filters for specific applications, as the air filters we are selling for the swine market or as the filters we are currently developing with Aerosys for the aeronautical market. However, we can not guarantee that we will be able to penetrate in a significant way these markets.

There are many air quality products for the residential market similar to those produced by Epurair. Some of those similar products are manufactured by large corporations with substantially more resources than us. Epurair holds no patents for its products.

Sanitizing products

There are manufacturers of sanitizer products similar to those commercialized by Noveko under the Azuro™ brand, some of which are multinationals with substantially more resources than us. No patent has been granted for Azuro™ products. However, considering the growing demand for that type of products and our recent Licence Agreement with Microban International Ltd. for the use of its Microban® brand name, we are confident to achieve significant differentiation for our sanitizers. However, we cannot guarantee that it will be the case.

Risks related to Ultrasound Scanners

Worldwide, there are numerous manufacturers of ultrasound scanners, some of which are multinationals with substantially more resources than us. However, in the animal sector, these large corporations do not currently operate in ECM's niches and their products do not offer the same features as ECM's scanners, such as portability, individual standby power supply and competitive prices. That situation may change in the future. Several smaller-scale entities offer products with similar features to ECM's, particularly Chinese companies, and, as such, represent potential competitors in the various markets in which ECM is present. In the human sector, a new market for ECM, we are facing fierce competition from multinationals. In response to that competitive environment, we have adopted a highly selective market strategy, steadily improving our products' properties, minimizing manufacturing costs to offer competitively priced products. The market has not yet recognized the full potential of portable ultrasound scanners, mainly for the equine and pets sector. Our capacity to make known their features will be crucial for the growth of that sector.

Risks related to Steel Product Processing Operations

Our subsidiary BLI is involved in the steel industry, which is subject to regular price fluctuations caused by supply and demand trends and to the economic situation in general.

BLI occupies a small niche in Canada, being the custom processing and distribution of steel products based on client specifications and designs. BLI has numerous competitors in that field. But, few others Canadian companies are as equipped as BLI to transform steel in a finished product, or are as self-sufficient in regard with steel cutting and machining. However, the reader should be aware that as BLI is no longer strategic to our Group's growth, we consider that our financial and human resources should be focused on our core sectors. Consequently, we have decided to sell that subsidiary and BLI's operations have been treated as discontinued in our Management's Report. No guarantee can be provided that the sale of BLI will be completed on a short time basis or at favorable conditions for the Corporation.

We depend upon senior management and key personnel

The management of the Group is assured by a small number of key employees and the departure of any one of these employees could have an adverse impact on our Group. However, we partially offset such risk by recruiting several employees with experience in our various business components.

To ensure our success, management and key personnel must have sound knowledge of our products, our customers and of the markets where we are involved. Given the current economic background, we must be able to retain our key personnel and attract new employees in order to continue growing. Our personnel are currently spread across the world through our subsidiaries. Such decentralization of human capital presents advantages but also disadvantages. Such disadvantages constitute additional risks, especially, in connection with the successful operations of our business when concerted efforts are necessary.

The labor market being highly competitive, we may not be able to hire and retain the employees we need, which could have a material adverse effect on our business, results and financial condition.

Risk of Legal Proceedings

In the normal course of business, the Corporation could be subject to lawsuits, claims and litigation for amounts not covered by our liability insurance. As of June 30, 2009, there was no significant proceeding against us that is not already accounted for in our financial statements. Since that date, a suit claiming an amount of approximately \$160,000, have been filed into court against BLI.

Capacity to identify and complete strategic acquisitions that will contribute to future growth

Even though the Corporation does not consider, in the short term, to purchase other businesses, in the long term or even before if the appropriate circumstances are met, we might have to acquire other businesses to contribute to our future growth. However, we may be unable to: (i) identify suitable acquisition targets available for sale at reasonable prices; (ii) properly evaluate the fair value of the target businesses or; (iii) complete any acquisition in a given timeframe. In addition, if we proceed with acquisitions, available cash may be used to complete such transactions, diminishing our liquidity and capital resources, or share may be issued which could cause significant dilution to our existing shareholders. Furthermore, identifying acquisitions and the completion of acquisitions per se, could divert management's attention and use significant financial resources that may negatively affect our business, operating results and financial situation.

Conflict of Interests

Our directors and executive officers as a group, beneficially own, directly or indirectly, or exercise control or direction over 23,933,800 Class A Shares or approximately 35.7% of the issued and outstanding Class A Shares of the Corporation as at June 30, 2009. Conflicts may arise between such individual interests as members of the Board of Directors or as members of the management team and their respective interests as shareholders. Such conflicts could arise, for instance, with respect to the setting of their respective remuneration, the granting of options and similar matters. However, our directors and officers have the legal duty to act in the best interests of the Corporation.

Risks Related to Our Securities**There may be volatility in our Class A Shares**

The market price for our Class A Shares have been and could be subject to wide fluctuations. For instance, for the financial year ended June 30, 2009, the market price of our Class A Shares fluctuated from a high of \$4.30 to a low of \$0.46 (closing trading price on June 30, 2009: \$2.19). Factors such as announcements of our quarterly results and financial position, delays incurred in the approval of our regulated products, difficulty to penetrate certain markets, or failure to meet market expectations may adversely affect the market price of our Class A Shares. The stock market has from time to time experienced extreme price and volume fluctuations, which have been unrelated to the operating performance of particular companies.

There may be dilution in our Class A Shares

As of the date of this AIF, we have currently two outstanding convertible debentures for which the principal amount of \$993,706 may be converted by their holders into a maximum number of 823,508 Class A Shares as well as stock options giving their holders the rights to subscribe an additional total number of 7,783,268 Class A Shares at prices ranging from \$0.60 to \$6.80

per share with expiry dates ranging from November 10, 2011 through August 28, 2014. Finally, there are outstanding warrants that may be converted, from December 30, 2009 to December 29, 2011, into a total number of 750,000 Class A Shares, at prices varying from \$1.52 to \$1.67 per share, if the trading price of the Class A Shares is lower than \$1.50 on a weighted average basis for the period beginning September 30, 2009 to December 29, 2009 inclusively. During the life of these convertible debentures, options and warrants, their respective holders are given the opportunity to exercise those securities and to profit from a rise in the market price of the Class A Shares with a resulting dilution in the interest of the other shareholders. Also, our current private placement, to which we refer above, if successful, will be dilutive for our current shareholders. In addition, as referred to before, we may need to raise additional funds through public or private equity financing. Any equity financing may also be dilutive to existing shareholders.

The increase in the number of Class A Shares in the market resulting from the exercise of convertible securities, the possibility of sale of such shares, and the possibility of public or private equity financings may have a depressive effect on the market price of the Class A Shares. In addition, as a result of additional Class A Shares being issued, voting power of the Corporation's existing shareholders will decrease proportionately.

8. CHANGES IN ACCOUNTING POLICIES

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

Section 1400 requires 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 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 accompanying the financial statements on capital management).

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

- \$49,243 increase in inventories; and
- \$49,243 decrease in the deficit.

Sections 3862 and 3863 replace Section 3861, “Financial Instruments – Disclosures and Presentation”, amend and improve reporting obligations, while carrying forward the content thereof relating to disclosure requirements (see note 28 accompanying the financial statements).

Future Changes in Accounting Policies

In 2006, Canada’s Accounting Standards Board ratified a strategic plan that will result in GAAP, as used by public companies, being evolved and converged with International Financial Reporting Standards (“IFRS”) 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 for these rules and will closely monitor changes arising from this convergence.

In January 2008, the CICA issued Section 3064, “Goodwill and Intangible Assets”, which provides guidance on the recognition of intangible assets and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the effects of adopting this standard.

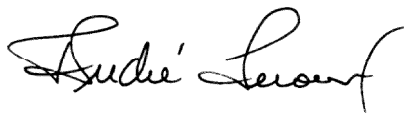
In January 2009, the CICA issued Sections 1582, “Business Combinations”, 1601, “Consolidated Financial Statements”, and 1602, “Non-Controlling Interests”.

Section 1582 will be converged with IFRS 3, “Business Combinations”. Section 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 the 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.

The new standards, under Sections 1582, 1601 and 1602, will become effective to interim and annual financial statements relating to fiscal years beginning on or after January 1st, 2011. The Company is currently evaluating the impact of the adoption of these new standards on its consolidated financial statements.



ANDRÉ LEROUX
Chairman of the Board and Chief Executive Officer



ÉRIC FAVREAU
Vice-President and Chief Financial Officer

September 24, 2009