



**SEM CAN INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT SEPTEMBER 30, 2009**

DATE: NOVEMBER 30, 2009

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Caution Regarding Forward-Looking Information and Non-GAAP Measures

Forward-Looking Information

This document contains certain forward-looking statements. These statements relate to future events or future performance and reflect management's current expectations and assumptions regarding the growth, results of operations, performance, and business prospects and opportunities of Semcan Inc. and its segments (collectively, "Semcan"). Such forward-looking statements reflect management's current beliefs and expectations and are based on information currently available to management of Semcan. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the future operating results and economic performance of Semcan are forward-looking statements. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual events or results to differ materially from the events and results discussed in the forward-looking statements, including risks outlined under "Risk Factors". In evaluating these statements, investors should specifically consider various factors, including the risks outlined under "Risk Factors", which may cause actual events or results to differ materially from any forward-looking statement. These factors should not be considered exhaustive. Although any forward-looking statements contained in this MD&A are based on what management of Semcan considers to be reasonable assumptions based on information currently available to them, there can be no assurance that actual events or results will be consistent with these forward-looking statements, and management's assumptions may prove to be incorrect. These forward-looking statements are made as of the date of this document, and neither Semcan nor its directors assume any obligation to update or revise them to reflect new events or circumstances. Undue reliance should not be placed on forward-looking statements.

Except as otherwise noted, the information contained herein is given as of the date of this document, based on Semcan's most recently completed financial period ended September 30, 2009.

Capitalized terms not otherwise defined in this document have the meanings set forth in Appendix B - Glossary of Terms.

Non-GAAP Measures

The term "EBITDA" is a financial measure used in this document which is not a standard measure under Canadian generally accepted accounting principles. Semcan's method of calculating EBITDA may differ from the methods used by other issuers. Therefore, Semcan's measure of EBITDA, as presented in this document, may not be comparable to similar measures presented by other issuers.

EBITDA refers to net earnings of Semcan determined in accordance with generally accepted accounting principles, before depreciation and amortization, interest expense, income tax expense, non-controlling interest and stock-based compensation expense. Management believes that EBITDA is a useful supplemental measure of cash available for debt service, working capital, capital expenditures, income taxes, and distribution.

Investors are cautioned that EBITDA, as a Non-GAAP Measure, is not an alternative to measures under GAAP and should not, on its own, be construed as an indicator of Semcan's performance or cash flows, a measure of liquidity or as a measure of actual return.

1. Basis of Presentation and Going Concern

The following is Management's Discussion and Analysis ("MD&A") of the results of operations for Semcan Inc. ("Semcan" or the "Company") for the three month and nine month period ended September 30, 2009, and its financial position at September 30, 2009. The Company reports on its operations and financial position in accordance with Canadian generally-accepted accounting principles.

Where appropriate, comparison to results of operations for the previous year and/or quarters have also been included. It should be noted that the Company made three acquisitions during 2008 and three acquisitions during 2007. No acquisitions were made in the current year; as a result, comparatives may not always be relevant. This MD&A should be read in conjunction with the consolidated financial statements and accompanying notes for the period ended September 30, 2009 and the year ended December 31, 2008. For additional information and details, readers are referred to the quarterly financial statements and quarterly MD&A's for 2008, 2007 and 2006, to the Company's Management Information Circular and the Company's Annual Information Return, all of which are published separately and are available at www.sedar.com.

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. During 2008, the Company entered into various financing agreements to fund acquisitions. The Company's original plan for the acquisitions was to refinance a substantial portion of the acquisition facilities prior to or shortly after closing of the transaction with various types of long-term debt and to repay the balance with cash flow from operating activities prior to the maturity of the term bank debt and notes payable. In the fourth quarter of 2008, conditions in the credit markets deteriorated substantially, effectively closing the credit markets to the Company. These credit market conditions had a serious impact on the global economy, which has contributed negatively to the Company's operations in 2008 and 2009. Current weak global economic conditions make access to the credit and capital markets difficult for the Company, which may compromise the Company's ability to repay or refinance all or a portion of the acquisition loans as they come due.

The Company is currently in compliance with the financial covenants governing its bank borrowings.

The Company has four significant loan obligations which are due within twelve months, or are currently in arrears (see Note 9 to the financial statements):

- i) \$915,000 owing under a secured promissory note (the "Westdale Loan") which is due November 12, 2009. The original principal due under the Westdale Loan was \$3,000,000. On November 27, 2009, the Company agreed to a new loan of \$900,000 payable over two years, the proceeds of which, together with \$15,000 from the Company's working capital, were used to fully repay the Westdale Loan on November 27, 2009 (see Note 19 to the financial statements).
- ii) \$4,056,039 owing under a secured debenture to three shareholders (the "Bridge Loan").
- iii) \$510,092 owing under an unsecured promissory note to the former owners of Stanco Projects Ltd. (the "Stanco Loan").

- iv) \$321,210 owing under an unsecured promissory note to the former owners of Enviro-Pro-Tech, Inc. (the "EPT Loan").

At September 30, 2009, the Company has a working capital deficiency of \$7,446,089. The working capital deficiency for the continuing operations is \$5,152,096. Included in the continuing operation's working capital deficiency is \$3,578,685 of maturing debt and long-term debt obligations relating to the loans noted above. Based on expected cash flows from operations after satisfying working capital requirements, the Company will not generate sufficient funds from operations to repay these obligations, and will need to generate funds from other sources to do so, or will need an extension or refinancing of the loans.

It will be necessary for the Company to access alternative financing, or negotiate extensions with respect to repayment of the balances owing on the Bridge Loan, the Stanco Loan and the EPT Loan for the Company to be in a position to retire the current obligations in a manner acceptable to its lenders. It is not possible to predict whether the actions taken in satisfying these obligations will result in improvements to the financial condition of the Company in a sufficient manner to allow it to continue as a going concern.

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The significant doubt on the Company's ability to continue as a going concern materially affects the degree of uncertainty associated with the measurement of many amounts related to the Company in the consolidated financial statements. More specifically, it could impact the recoverability tests and fair value assumptions used in impairment testing of definite-lived intangible assets and goodwill.

There is no assurance that the Company will be able to execute these plans on a timely basis to repay the debt obligations. Due to material uncertainties related to negotiations with lenders, they cast significant doubt upon the Company's ability to continue as a going concern. As a result, there can be no assurance that expected future cash flows will be realized or will be sufficient for the Company to continue as a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and balance sheet classifications that would be necessary should the going concern assumption become inappropriate. These adjustments could be material to the financial statements.

2. Chairman's Statement

Following the strategic review in Q4 2008 (see section 3), the Company has focused its efforts, in the first nine months of fiscal 2009, on reducing the level of debt that the Company was carrying at December 31, 2008. It should be remembered that prior to Q3 2008, the Company had been able to raise funds both in the capital markets and from its bankers to fund its acquisition strategy. This came to an abrupt end in November, 2008 as the "credit crunch" took hold. Coincidentally, at that time the Company had negotiated to acquire the assets of ZMI Portec, assets that would give Stanco Projects a competitive edge in its marketplaces. The proprietary assets acquired under this transaction are the

leading products in their market places, consequently the Board felt compelled to complete this transaction even though the only financing available at that time was an onerous \$3,000,000 short term loan at punitive interest rates (the “Westdale Loan”).

Responding to pressure from our lenders and because of our inability to refinance a \$2,000,000 promissory note due to previous owners of the Ken-Co Industries, three business units were identified for disposal, with the intention that the proceeds when received in 2009 would be used to pay down debt. These business units are:

- Nucleus Distribution Inc.;
- Naston Limited; and
- Enviro-Pro-Tech, Inc.

Nucleus Distribution Inc was sold in April 2009 and the disposition resulted in a reduction in the Company’s debt load by approximately \$6.5 million. The sale of Enviro-Pro-Tech closed on August 31, 2009, and the majority of the net cash received at closing was used to repay the Company’s term bank debt.

Naston’s prospects have continued to decline, and on November 6, 2009 it was announced that Naston would be seeking permission from its creditors to enter into a Company Voluntary Arrangement (“CVA”) in the UK. The Company has written down its investment in Naston to net realizable value, and at September 30, 2009 is carrying the investment at \$nil.

During the first quarter of 2009 the full effect of the recession was being felt which manifested itself in a number of ways:

- The State of Florida’s Inland Protection Trust Fund, which is used to finance soil remediation projects, diverted money from the Trust Fund to other state activities;
- Capital projects in the oil sands were put on hold;
- Flue gas desulphurization projects have been put on hold pending the passing of environmental legislation;
- The reduction in commodity prices caused capital projects in the mining industry to be deferred; and
- Funding for United Kingdom water projects through the AMP program are in limbo, pending the start of the new AMP5 programme, under which funding will first be available in March 2010.

Despite these pressures, we continue to meet our commitments to Toronto-Dominion Bank. During the quarter ended September 30, 2009 we fully repaid the term loan, which had an original balance of \$3,000,000. There are no covenant violations in the quarter under review. The \$1,500,000 bank operating line also provided by Toronto-Dominion has never been exceeded – at the quarter end the operating line actually drawn is \$950,000.

Subsequent to quarter end we have secured a new loan of \$900,000 from a shareholder (see Note 19 to the financial statements). The proceeds from this loan, together with \$15,000 from our working capital, were used to repay the final balance owing on the Westdale Loan which matured on November 12, 2009. The interest rate on the new loan is 18%, compared with 30% on the Westdale loan.

The following summary table shows the progress made by the Company in reducing its indebtedness from that at December 31, 2008:

Description	As at December 31, 2008	As at September 30, 2009
TD operating loans and term loans	\$6,621,993	\$950,000
Westdale Loan	3,000,000	915,000
Bridge Loan from related parties	3,892,903	4,056,039
Vendor Take Back – Enviro-Pro-Tech	351,216	321,210
Vendor Take Back – Stanco Projects	nil	510,952
Nucleus notes	2,718,423	nil
Other	261,122	162,680
Total bank and term debt	\$16,845,657	\$6,915,881

Clearly good progress has been made in reducing our total indebtedness as we had reduced our debt by \$9.9 million as at quarter end.

For the remainder of 2009 we will continue to focus on reducing debt and to build the core business in North America. There are early signs that some of the postponed engineering projects have now been released as witnessed by a previously-delayed oil sands project worth approximately \$1 million which was reactivated in late July 2009.

I also remain confident that the investment in the ZMI proprietary technology now owned by the Company will prove to have been a sound strategic investment. The ZMI slaker can be utilized in all of our municipal and industrial market sectors, as well as in flue gas desulphurization applications. It allows us to differentiate our solution into any of these markets where the application involves lime slaking. In addition, however, dependent on the desired treatment capacity, the quality of the lime, as well as customer preference, we may offer another differentiated solution (the Metso Vertimill) rather than the ZMI slaker. Thus, between the ZMI slaker and the Metso Vertimill, we can meet our customers' requirements in all of our market sectors via a technically differentiated solution.

During the downturn in the economy we have reduced our operating expenses and we continue to keep them under close scrutiny but most importantly we have managed to retain our best people. Consequently, I am confident that we are well positioned to take advantage of the burgeoning upturn in the economy.

Philip M. Jamieson
Chairman

3. Strategic Review

Subsequent to the end of Q3 2008, the board of directors reviewed the Company's strategy and financial position in light of the downturn in the global economy and tightening of credit markets. The Board set out the following broad objectives for the Company:

- i. Reduction of debt load;
- ii. Development of a competitive advantage in the Environmental Engineering business through positioning with proprietary and/or differentiating solutions. The existing business was seen as a strong systems integrator but relied on technology and products produced by suppliers;
- iii. Divestiture of the distribution segment to allow complete focus on Environmental Engineering;
- iv. To grow organically by improving the performance of the North American engineering business rather than continuing the "growth by acquisition" strategy commenced in September 2006; and
- v. Divestiture of the UK operation (Naston) and US soil remediation operation (Enviro-Pro-Tech, Inc); and

The progress made to date with respect to these objectives is as follows:

- i) Reduction of the Company's debt load:

A significant reduction in debt has been achieved through the following divestitures:

- a) **Nucleus Distribution Inc. ("Nucleus")** – Nucleus was sold for approximately \$6,500,000 to Octagon Distribution Company Limited. The total proceeds of the sale have been used to reduce company indebtedness. The transaction closed on April 27, 2009.
- b) **Enviro-Pro-Tech, Inc. ("EPT")** – On August 31, 2009, the Company completed the sale of EPT to U.S. O'Neill Industries, LLC. The sale price was US\$1,582,333 after taking effect of an adjustment for book value. The purchaser has paid cash of \$1,382,334 and a promissory note of \$200,000 is due May 31, 2010, subject to potential partial adjustment relating to earnings. The net proceeds have been used to repay term bank loans and other debt.

Naston Limited ("Naston") – The Company's board decided to pursue the sale of Naston and use the proceeds to reduce debt. The Company has been unable to consummate a sale, and Naston has engaged Pockocks Chartered Accountants to assist with the restructuring and eventual disposal or winding-up of Naston. In early December 2009, Naston will be presenting a plan to its creditors under which the company could enter into a Company Voluntary Arrangement. Certain of its projects would be completed, the net proceeds of which would be for the benefit of Naston's creditors. The Company does not anticipate that it will generate further proceeds from Naston and has, in the period ended September 30, 2009, fully provided for its investment in Naston.

As required under GAAP, the results from operations and accounts of Nucleus, Naston and EPT have been classified as discontinued operations in the consolidated financial statements for the period ended September 30, 2009.

The continuing business will focus on the design, assembly and installation of turnkey bulk material handling systems to treat water, wastewater and emissions in the utility, mining, oil and gas, municipal and other industrial marketplaces. At September 30, 2009 the continuing business had a confirmed order backlog of approximately \$9,126,000, compared with \$12,547,000 at June 30, 2009. The current economic climate and environmental regulation uncertainties in the United States, particularly those associated with the utility market, has led customers to defer large capital build projects. The municipal water market has remained strong, but other sectors, particularly mining, oil & gas, and flue gas desulphurization, are soft.

ii) Development of competitive advantage:

In order to acquire a competitive advantage in the environmental engineering marketplace, the Company acquired the assets of ZMI Portec on November 14, 2008. This acquisition is discussed in more detail in section 8.

4. Vision and Core Business

Following the strategic review (section 3), Semcan is focused on becoming a worldwide leader in the design, engineering, integration and installation of engineered systems which are used by its worldwide customers to clean up water and control air emissions.

The Company's principal focus is the conceptual design, engineering, project management, and assembly and installation of complete bulk material handling systems – from the storage silos, to the conveying system, to the computerized electronic controls. The systems are utilized internationally in a broad range of industries. The Company is seeking out opportunities to continue to manage and maintain these systems post installation.

The Company's strategy is to grow its business organically and, longer term, to acquire companies at prices which are strategically and financially accretive, providing suitable financing is available.

Semcan's Board sees the Company as a worldwide supplier of industrial processes and environmental solutions with specific emphasis on water remediation and emission control systems.

5. Key Performance Indicators

	Quarter	Quarter	Quarter	Year	Quarter	Quarter	Quarter
	ended Sept 30/09	ended Jun 30/09	ended Mar 31/09	ended Dec 31/08	ended Dec 30/08	ended Sept 30/08	ended Jun 31/08
FINANCIAL PERFORMANCE (FROM CONTINUING OPERATIONS):							
Revenue (\$000s)	\$7,254	\$9,541	\$9,341	\$29,338	\$11,103	\$6,245	\$6,129
Gross margin % (unadjusted)	28.52%	23.18%	22.74%	22.84%	25.11%	24.10%	12.05%
Adjusted gross margin % (adjusted to remove effect of amortization of intangible assets relating to acquired order backlog)	28.52%	23.18%	23.21%	26.93%	26.29%	27.83%	25.66%
General, administrative and selling expenses (excluding gain or loss on foreign exchange) as a % of sales	20.04%	17.70%	21.51%	20.57%	12.92%	30.48%	24.74%
Earnings (loss) before interest, income taxes, depreciation & amortization (EBITDA) (\$000s)	\$553	\$560	\$145	\$676	\$1,359	(\$397)	(\$811)
Adjusted EBITDA (adjusted to remove effect of amortization of intangible assets relating to acquired order backlog) (\$000s)	\$553	\$560	\$189	\$1,875	\$1,490	(\$163)	\$23
Adjusted EBITDA as a percentage of Revenue	7.62%	5.87%	2.03%	6.39%	13.42%	(2.61%)	0.38%
Net income (loss) from continuing operations (\$000s)	(\$46)	(\$387)	(\$482)	(\$2,303)	(\$186)	(\$1,082)	(\$984)
Earnings (loss) per share from continuing operations (basic)	(\$0.002)	(\$0.012)	(\$0.016)	(\$0.780)	(\$0.006)	(\$0.065)	(\$0.022)
Earnings (loss) per share from continuing operations (diluted)	(\$0.002)	(\$0.012)	(\$0.016)	(\$0.780)	(\$0.006)	(\$0.065)	(\$0.022)

5. Key Performance Indicators - continued

	Quarter	Quarter	Quarter	Year	Quarter	Quarter	Quarter
FINANCIAL POSITION:	ended Sept 30/09	ended Jun 30/09	ended Mar 31/09	ended Dec 31/08	ended Dec 31/08	ended Sept 30/08	ended Jun 30/08
Total assets (\$000s)	\$20,952	\$30,999	\$50,504	\$52,284	\$52,284	\$58,787	\$60,075
Working capital (\$000s)	(\$7,446)	(\$7,691)	(\$9,023)	(\$9,481)	(\$9,481)	(\$1,275)	\$5,722
Unused capacity on bank lines – continuing operations (\$000s)	\$335	\$157	\$117	\$220	\$220	\$1,214	\$404
Unused capacity on bank lines – discontinued operations (\$000s)	N/A	N/A	\$200	\$660	\$660	\$680	\$890
Total bank and other term debt – continuing operations (\$000s)	\$6,916	\$10,342	\$10,122	\$10,323	\$10,323	\$8,681	\$9,884
Total bank and other term debt – discontinued operations (\$000s)	\$-	\$35	\$5,896	\$6,522	\$6,522	\$5,586	\$5,440
Total equity (\$000s)	(\$185)	\$93	\$7,466	\$7,507	\$7,507	\$13,215	\$14,788
Debt to equity ratio [Total liabilities / Total equity]	N/A – negative equity	331.57	5.76	5.97	5.97	3.45	3.06
Fixed charge coverage ratio [(Adjusted EBITDA less capital expenditures less cash taxes) / principal and interest charges]	0.29	0.36	0.35	0.25	(0.53)	(0.88)	1.48
Return on equity (annualized)	(211.02%)	(172.52%)	(11.67%)	(25.42%)	(7.14%)	(51.19%)	(17.83%)
Cash dividends	-	-	-	-	-	-	-
Total shares outstanding at end of period (000s of shares)	31,098	31,098	31,098	31,098	31,098	31,058	31,048
Book value per share	(\$0.006)	\$0.00	\$0.24	\$0.24	\$0.24	\$0.43	\$0.48

5. Key Performance Indicators - continued

Reconciliation of EBITDA and Adjusted EBITDA to Net Income (loss) from continuing operations:

	Quarter	Quarter	Quarter	Year	Quarter	Quarter	Quarter
All in \$000s	ended Sept 30/09	ended Jun 30/09	ended Mar 31/09	ended Dec 31/08	ended Dec 31/08	ended Sept 30/08	ended Jun 30/08
Net income (loss) from continuing operations	(\$46)	(\$387)	(\$482)	(\$2,303)	(\$186)	(\$1,082)	(\$984)
Add:							
Provision for (recovery of) income taxes	\$60	\$102	(\$23)	\$289	\$508	(\$54)	(\$320)
Stock compensation expense	\$98	\$98	\$129	\$599	\$176	\$141	\$141
Amortization and loss on disposal of capital assets	\$220	\$412	\$241	\$748	\$262	\$203	\$87
Interest expense	\$221	\$335	\$280	\$1,343	\$599	\$395	\$265
EBITDA	\$553	\$560	\$145	\$676	\$1,359	(\$397)	(\$811)
Add:							
Amortization of intangible assets relating to acquired order backlog	-	-	\$44	\$1,199	\$131	\$234	\$834
Adjusted EBITDA	\$553	\$560	\$189	\$1,875	\$1,490	(\$163)	\$23

Reconciliation of Adjusted Gross Margin to Gross Margin:

	Quarter	Quarter	Quarter	Year	Quarter	Quarter	Quarter
	ended Jun 30/09	ended Jun 30/09	ended Mar 31/09	ended Dec 31/08	ended Dec 31/08	ended Sept 30/08	ended Jun 30/08
Net sales (\$000s)	\$7,254	\$9,541	\$9,341	\$29,338	\$11,103	\$6,245	\$6,129
Gross margin (\$000s)	\$2,069	\$2,212	\$2,124	\$6,701	\$2,788	\$1,505	\$738
Amortization of intangible assets relating to acquired order backlog (\$000s)	-	-	\$44	\$1,199	\$131	\$233	\$835
Adjusted gross margin (\$000s)	\$2,069	\$2,212	\$2,168	\$7,900	\$2,919	\$1,738	\$1,573
Gross margin %	28.52%	23.18%	22.74%	22.84%	25.11%	24.10%	12.05%
Adjusted gross margin %	28.52%	23.18%	23.21%	26.93%	26.29%	27.83%	25.66%

6. Liquidity and Capital Resources

6.1 Working Capital and Borrowing Arrangements

6.1.1 2008 Acquisitions and Related Debt

During 2008 (prior to the Strategic Review discussed in section 3), the Company continued to pursue its strategy of building an international environmental engineering business, with activities focused on water and wastewater treatment, flue gas treatment and soil remediation markets. To this end, it acquired Enviro-Pro-Tech, Inc., Naston Limited and the assets of ZMI Portec. The cost of these acquisitions and related debt was as follows:

Business or Assets Acquired	Date	Gross Purchase Price	Debt Financing (including related fees)
Enviro-Pro-Tech, Inc.	January 31, 2008	\$3,266,496	\$351,216
Naston Limited	March 31, 2008	\$8,510,961	\$4,310,000
Assets of ZMI Portec	November 12, 2008	US\$2,093,361	\$3,321,256
Total debt			\$7,982,472

Enviro-Pro-Tech, Inc. ("EPT")

EPT, a company specializing in remediating soil which has been contaminated by spillage of petroleum products, was acquired on January 31, 2008. EPT, which is located in Pensacola, FL and carries out the majority of its work for the Florida government, was to be the Company's stepping stone into the soil remediation market. A potential acquisition target which performs soil remediation for industrial customers was identified in September 2008; if consolidated with EPT, the combined operation would have given Semcan a considerable presence in the soil remediation market. However, the Company could not finance the acquisition from internal resources and external funds were not available. In November 2008, the Company decided to divest itself of EPT and classified it as a discontinued operation in the financial statements for the year ended December 31, 2008. The sale of EPT was closed on August 31, 2009.

Naston Limited ("Naston")

Naston was acquired to give the Company an international presence in the industrial and municipal water and wastewater treatment markets. Naston has an excellent reputation for providing custom designed water treatment systems in the United Kingdom, Europe, Africa and the Middle East. In addition, Naston has in place a strategic relationship with Aqueduct plc, a financial fund which offers solutions for financing water treatment systems to large, blue chip UK-based organizations.

The experience with Naston has been disappointing. During 2008, a fixed price contract was undertaken to build a new water treatment plant for Universal Beverages Ltd., a 50/50 joint venture operation between Scottish & Newcastle Breweries (which is part of the Heineken group) and the Q Group. The

contract value was approximately £6,300,000 and should have generated contribution margin of approximately £680,000. The project was fraught with problems from the start, with the result that a loss of approximately £882,000 (including legal costs) was provided for in the 2008 accounts.

In November 2008, the Company decided to divest itself of Naston and classified it as a discontinued operation in the financial statements for the year ended December 31, 2008. The Company has been unable to consummate a sale, and Naston has engaged Pockocks Chartered Accountants to assist with the restructuring and eventual disposal or winding-up of Naston. In December 2009, Naston will be presenting a plan to its creditors under which the company could enter into a Company Voluntary Arrangement. Certain of its projects would be completed, the net proceeds of which would be for the benefit of Naston's creditors. The Company does not anticipate that it will generate further proceeds from Naston and has, in the period ended September 30, 2009, fully provided for its investment in Naston.

Assets of ZMI Portec

In November 2008, the Company acquired the assets of ZMI Portec out of a court-administered bankruptcy. The assets concerned are the rights to a lime slaker, a piece of equipment integral to many of the systems designed and installed by Semcan. The purchase of the assets was considered a strategic necessity by the Company due to the proprietary nature of the assets, and also because at the time of the acquisition, Semcan had approximately \$9 million of orders in progress dependent upon the ZMI slaker.

Had Semcan not acquired these assets, they would have been acquired by one of the Company's competitors. Semcan could not risk non-performance on the projects in progress, and also sought to have exclusive rights to the ZMI product as it is specified in many bid requests in the flue gas desulphurization market.

The acquisition of these assets has put a major strain on our working capital as the Company was forced to incur a short term, expensive loan from Westdale Construction Co. Ltd. to acquire them, as traditional sources of finance were not available at the time of acquisition.

The assets acquired will continue to give the Company a competitive edge in the water and wastewater treatment, as well as flue gas desulphurization marketplaces.

6.1.2 2009 Plans to Reduce Debt

The Company's priority during 2009 continues to be to improve liquidity and pay down debt, particularly the \$2,000,000 promissory note due to the former owners of Ken-Co Industries Limited which matured on February 28, 2009 (the "Ken-Co Loan"), and the \$3,000,000 loan from Westdale originally maturing May 12, 2009 (the "ZMI Loan") taken to purchase the ZMI assets. The status of these efforts is as follows:

- i. Responsibility for repayment of the Ken-Co Loan was assumed by the purchaser of Nucleus. The sale of Nucleus closed on April 27, 2009, and the Company has no further obligation under this loan; and
- ii. During the year, the Company paid the ZMI Loan down to \$915,000. On November 27, 2009, the Company closed a financing under which it borrowed \$900,000 from a shareholder who is neither an officer nor a director. The terms of the financing allow for repayment of the loan over a two year period. A balloon payment of \$900,000 is required at the end of the term, and earlier repayment is permitted; however, if the Company has not fully repaid the loan after the first year, a fee of \$50,000 is payable to the lender. The interest rate is 18% per annum, and the loan is secured by a general security agreement and pledge of shares of subsidiaries Stanco Projects Limited and ZMI Portec Inc. An arrangement fee of \$90,000 was paid at closing, and 2,000,000 share purchase warrants exercisable at \$0.10 for a period of two years were issued to the lender at closing. On November 27, 2009, the proceeds of the new loan, together with \$15,000 from the Company's working capital, were used to repay the balance owing on the ZMI Loan.

As a result of its strategic review, the Company embarked on an initiative in late 2008 to divest itself of three businesses (Nucleus, Naston and EPT).

- Nucleus, while a source of cash flow and earnings, is not a strategic fit with the Company as its business is primarily the distribution of after-market auto parts.
- While Naston had great potential, the Company could not afford to hold it given the level of debt against it, and the reality that Naston has been unable to service the debt to date.
- EPT is a profitable business, but the Company's current inability to help EPT achieve critical mass in the soil remediation market, and the fact that it has no specific debt against it, made EPT a logical part of the divestiture plan.

Going forward, the Company will be a North American-based environmental engineering concern conducting business in Canada, the US and South America, and, on an opportunistic basis, the rest of the world. It will be headquartered at premises in Milton, ON, with an office in Richmond, BC and direct salespeople in Canada, the US, and a network of sales agents in Canada, the US and Chile. The principal operating company is now known as Stanco Projects Limited ("SPL") following the change in name of Semco Systems Limited on June 4, 2009.

The Company's working capital deficiency was \$7,446,089 at September 30, 2009. This balance includes \$1,370,788 of deferred revenue and \$1,298,421 of future income tax liabilities. The Company plans to reduce its obligations under the secured and unsecured term debt as follows:

Planned for Balance of 2009 (based on September 30, 2009 balances):

Obligation	Amount at Sept 30/09	Due Date	To be Settled Via	Timing	Repayment in 2009
Promissory note due to Westdale for purchase of ZMI assets	\$915,000	Nov 12/09	Proceeds from new loan with two year term plus \$15,000 working capital.	Nov 27/09	\$915,000

Planned for Future Periods (based on September 30, 2009 balances):

Obligation	Amount at Sept 30/09	Due Date	To be Settled Via	Estimated Timing	Planned Repayment in 2009
Promissory note due to related parties for purchase of Naston	\$4,056,039	Current portion due in 2009 is \$1,821,523.	Refinance or negotiate extended repayment terms	Start repayments in 2010	-
Promissory note due to former owners of Stanco Projects Ltd.	\$510,952	Full amount considered due in 2009 due to non-payment of July 24/09 instalment.	Refinance or negotiate extended repayment terms	Start repayments in 2010	-
Promissory note due to former owners of Enviro-Pro-Tech, Inc.	US\$300,000	Full amount considered due in 2009 due to non-payment of Oct 31/09 instalment.	Proceeds from sale of EPT and subsequent instalments	2010 and 2011	-

6.2 Banking and other Borrowing Arrangements

The Company's debt falls into the following categories:

- i. Bank operating lines, which are at the operating subsidiary level. SPL has access to a maximum of \$1,500,000 under its revolving line (subject to levels of accounts receivable and outstanding letters of credit), of which \$950,000 was drawn at September 30, 2009. The purpose of this line is to finance day to day requirements for working capital, principally accounts receivable and work in progress.
- ii. Vendor take-back promissory notes. These notes assist the Company in completing acquisitions, and are also used to motivate former owners to keep the acquired businesses performing at anticipated profitability levels. Certain vendor take-back notes are payable in full only if the acquired company meets certain earnings targets; for notes with this feature the contingent portion is recorded as a liability when the conditions for payment have been met.
- iii. Loan of \$4,310,000 from related parties (the "Bridge Loan"). As described in Note 9 to the financial statements, the Company received \$4,000,000 from three related parties to assist with the closing of the purchase of Naston. This loan was made on commercial terms, and was intended to be a short-term loan maturing on July 20, 2008. The arrangement fee was \$200,000, and the initial interest rate was 7.75% per annum, which management considers very favourable terms in that the lenders are not entitled to shares, warrants or options under the agreement. Effective July 20, 2008, the Company converted the loan into a three year term loan in exchange for a further fee of \$110,000. The interest rate on the loan is prime + 3% per annum. The outstanding amount of this loan at September 30, 2009 is \$4,056,039, including the arrangement and conversion fees which were added to the original principal, and unpaid interest for the period January 1, 2009 to September 30, 2009.
- iv. Loan of \$915,000 owing to Westdale Construction Co. Ltd (the "ZMI Loan"). This loan, with an original balance of \$3,000,000, was incurred to close the purchase of the assets of ZMI Portec (see section 8). Subsequent to quarter end, the Company refinanced this loan (see section 6.1.2)

Existing long-term debt and notes payable (except the ZMI Loan) are considered to be desirable sources of funding and it is anticipated that they will remain part of the Company's financial structure until maturity.

The Company's leverage position at September 30, 2009 was infinite (due to negative equity), compared with 5.97 at December 31, 2008, reflecting the provision booked during the year against the carrying cost of the discontinued operations.

6.3 Borrowing Covenants

Bank Covenants:

As at September 30, 2009, the Company was in compliance with the covenants governing its bank borrowing agreement. The Company was not in compliance for the quarters ended December 31, 2008 and March 31, 2009, and received waivers from the lender for the breach in these periods.

Breaches in Payment under Debt Obligations:

The Company has breached the terms of a loan with three related parties (see 6.2(iii)), the outstanding balance of which was \$4,056,039 at September 30, 2009. The arrears amount to required principal and interest on this loan from January 1, 2009 to date, which totals \$1,414,424 at September 30, 2009. The Company is negotiating with the lenders on an amicable basis to resolve the situation.

Under the terms of a promissory note due to the former owners of Stanco Projects Ltd., the Company was obliged to make a payment of \$477,000 plus accrued interest on July 24, 2009. The Company has not made this payment. As a result, the Company has classified the full amount owing under this note of \$510,952 as a current liability.

During the quarter, the Company renegotiated the terms of a promissory note due to the former owners of Enviro-Pro-Tech, Inc. ("EPT"), and agreed that the total due would be US\$300,000, comprised of the US\$300,000 portion guaranteed under the original terms and US\$ nil for contingent amount due based on EPT's earnings. Under the revised terms, the Company was obliged to make a principal payment of US\$100,000 on October 31, 2009. The Company has not made this payment. As a result, the Company has classified the full amount owing under this note of C\$321,210 as a current liability.

6.4 Access to Capital

The Company has funded its growth to date through equity issues and term debt. Access to traditional sources of capital is difficult for the Company at present due to its current financial position. The Company does not intend to make any acquisitions over the next four quarters, and would only consider making acquisitions if it had access to additional capital which would allow it to finance such transactions conservatively.

6.5 Operational Efficiency

Since the Company intends to shrink the breadth of its operations during 2009 (see section 3), it sees the following as areas where operational improvements can be made:

- i. Make use of the combined strength of similar operational units to better serve customers. SPL's Richmond office will take the lead on project management and engineering of large and/or complex integrated projects, while the Milton operation will focus on product management, aftermarket/parts, logistics, and execution of less complex projects.
- ii. Reduce administration costs by centralizing accounting functions.
- iii. Reduce corporate costs.

7. Historical Overview and Operating Segments

Semcan was incorporated on August 25, 2000, and trades on the TSX Venture Exchange under the symbol “STT.” Following the change of control in September 2006, a strategic review of the business was undertaken, and the Board articulated a strategy that has seen Semcan develop two core business units, Engineering & Design, and Distribution & Product Development. In light of the current economic market conditions, the Board has refined the Company’s strategy to concentrate on the Engineering & Design business based in North America (see section 3).

7.1 Engineering & Design

The platform for the Engineering & Design unit is **Stanco Projects Limited** (formerly Semco Systems Limited) (“**SPL**”), which designs, integrates, and installs turn-key bulk material handling systems. SPL, which commenced operations in 1970, is headquartered in Milton, Ontario. Engineering and assembly are carried out at the Company’s 27,740 square foot facility in Milton. There are approximately 30 salaried employees in Milton divided between management, engineering, project management, assembly, sales and administration.

On July 24, 2007, Semco completed the purchase of all of the outstanding shares of **Stanco Projects Ltd.** Stanco carries on the business of designing, sourcing and installing high quality systems for a wide variety of industrial, municipal and commercial clients. These systems include bulk chemical handling equipment, particularly in respect of water and wastewater treatment chemicals, municipal water storage tanks and aluminium geodesic dome structures. Founded in 1978, Stanco operates from its headquarters in Richmond, British Columbia, but works on projects worldwide. It has 38 employees, including 2 installation teams. Stanco has a long history of high quality and profitable operations. After the acquisition, Stanco was wound up into SPL and operates as a division of SPL.

The combined entity, referred to here as “SPL” specializes in designing cost-effective, customized storage, handling and conveying systems for dry and liquid materials. SPL uses the trade names “Semco Systems,” “Stanco Projects,” “Transfer Bulk Systems” and “Walter Equipment.” Most of SPL’s work comes from North America and South America, in the following market sectors:

- Cleanup of water used in the Alberta oil sands extraction activities.
- Flue gas desulphurization. SPL is heavily involved in the design and installation of chemical reagent systems used to clean stack emissions from coal-fired power plants, most of which are located in the United States.
- Municipal water and wastewater treatment applications. This encompasses municipal water storage tanks, treatment of potable water and cleanup of municipal waste water.
- Reagent addition systems and tailings pond cleanup, for the mining industry.

SPL’s principal focus is the design, assembly, installation and support of turn-key bulk material handling systems — from the storage silos, to the conveying equipment, to the electronic controls. These systems are custom-designed to meet the unique needs of each customer, and range in value from \$50,000 to \$7,500,000. Delivery time for a complete system ranges from three to eighteen months.

In these systems, chemical reagents such as lime, soda ash, trona, polymer or carbon are used to treat the water or emissions. The company typically acts as a subcontractor to a large engineering firm responsible for the entire project. The company's value proposition to the engineering firm is to provide an integrated solution, including engineering and design, sourcing of equipment, project management, optional installation, commissioning and documentation.

In addition to the applications noted above, the company has built systems to transfer food products such as flour, sugar, salt and milk powder. It has also designed systems to handle petrochemical products in pellet, powder and resin forms; and fillers such as calcium carbonate and soda ash.

The company's customers include major engineering firms, energy companies, construction firms, government agencies, and manufacturers in the food, steel and chemical industries. The majority of its revenues are derived from the sale of systems equipment, with the remainder coming from the sale of parts. A large percentage of its sales are generated through RFPs, referrals, and repeat business from existing customers.

SPL's prospects are strong given the growth of government regulation relating to use of water and cleanup of the environment. In particular, the pending restriction of access to fresh groundwater for oil sands producers means that producers will have to clean and re-use contaminated water previously produced in their processes. As well, the continued reliance in the United States on coal-fired electrical generation plants, and tightening regulations concerning the emissions from them, provides an ongoing opportunity to participate in designing and installing new systems, as well as upgrading existing systems, to remove the harmful contaminants from these plants' emissions.

On January 31, 2008, the Company acquired the business of **Enviro-Pro-Tech, Inc.** ("EPT") by acquiring all of the outstanding shares. EPT provides soil and water testing and remediation services from its operational headquarters in Pensacola, Florida. Much of its work comes from cleaning up contaminated sites previously used as petroleum service stations. EPT is licensed to do work for the state governments of Florida and Alabama.

On April 23, 2008, the Company completed the acquisition of all of the outstanding shares of **Naston Limited** ("Naston). Based in Weybridge, Surrey, England, Naston carries on the business of engineering and contracting services specializing in water and waste water treatment systems, sewage treatment package plants and solutions for sustainability and water re-use. Naston has been in business for thirty years and enjoys long term operating contracts with some of the major publicly-traded water utility companies in the United Kingdom. In addition, Naston provides its services in the Middle East, North and West Africa.

Late in 2008 the Company was forced to revisit its strategy in response to the downturn in the global economy (see section 3). This review led to a decision to focus on the North American engineering business and work toward a divestiture of EPT and Naston in order to pay down debt taken on as a result of acquisitions made in 2008. The sale of EPT was closed on August 31, 2009.

7.2 Distribution & Product Development

The platform for the Distribution & Product Development unit is **Nucleus Distribution Inc.** (formerly Nucleus Financial Network Inc.) (“Nucleus”), which owns the **Ken-Co Industries** divisions (“Ken-Co”) and **Forward600 Precision Tools & Machinery** (“Forward600”). Both of these organizations are distributors of products; Forward600 distributes precision tools to industry, while Ken-Co distributes products to the after-market auto parts market.

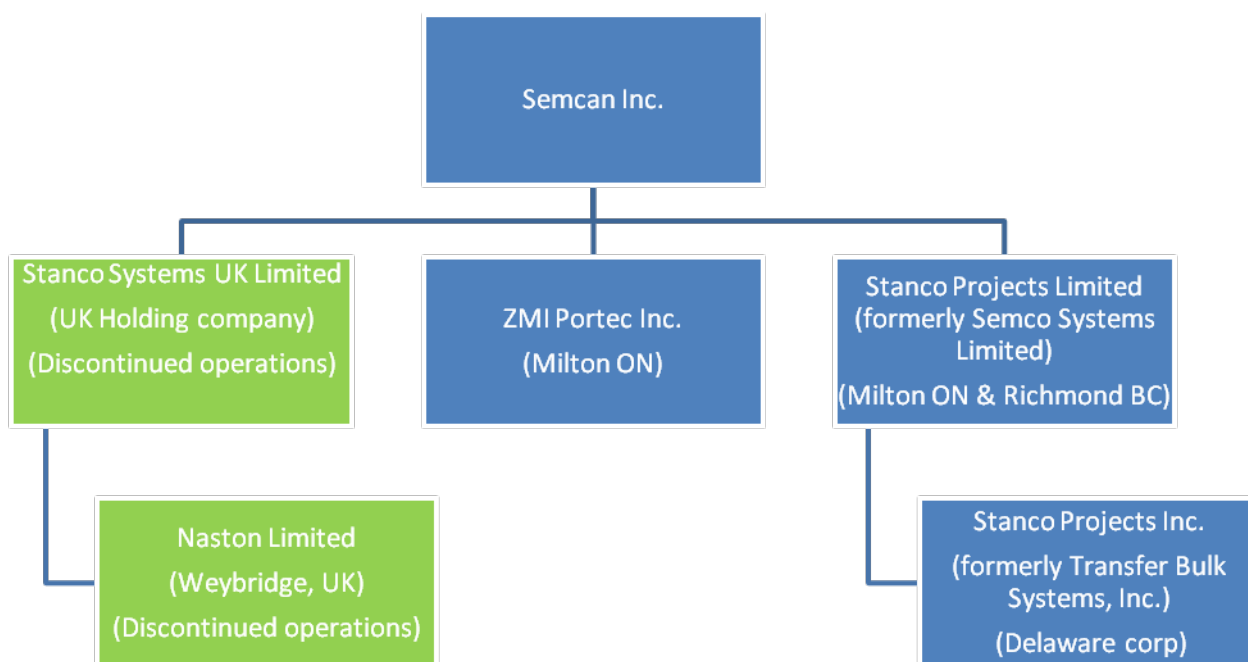
The Company disposed of this unit on April 27, 2009.

7.3 Reporting Segments

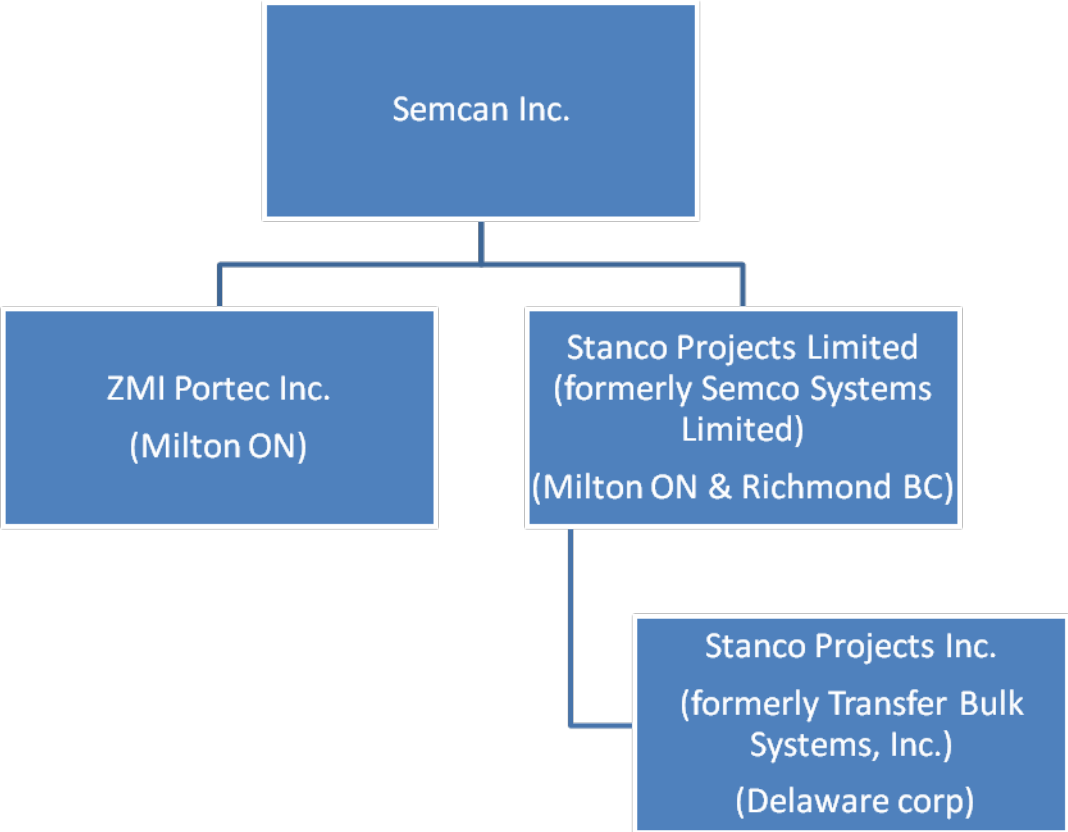
Semcan reports on three segments: Engineering & Design – North America; Engineering & Design – United Kingdom; and Distribution & Product Development, as outlined in the “Segmented Information” Note to the Financial Statements. An additional segment, “Soil Remediation,” is reported on for the period ended September 30, 2009 as a result of the Company’s decision during the fourth quarter of 2008 to divest itself of EPT.

7.4 Current Organizational Structure

The Company’s corporate structure at September 30, 2009 is as follows:



Once the divestitures are complete, the corporate structure of the continuing business will be as follows:



8. Acquisition of ZMI Slaker Technology

In order to acquire a competitive advantage in the environmental engineering marketplace, the Company acquired the assets of ZMI Portec on November 14, 2008. This acquisition became possible when The Conveyor Company, owner of the assets of a division known as ZMI Portec, filed for voluntary bankruptcy. The assets purchased include inventory, accounts receivable, equipment, and designs for a device known as a slaker, which the Company uses in many of its engineered solutions. The purchase price was US\$2,093,361. The Company continued the manufacture of the slakers for a six month trial period in Sibley, Iowa, in premises leased from the former owner.

While the timing of this acquisition was undesirable, the acquisition of this proprietary technology was considered essential to protect the Company’s backlog and to prevent a major competitor from acquiring this technology. The slaker is a fundamental part of the engineered systems built by the Company and is extensively specified by the large engineering houses in the flue gas desulphurization and water treatment markets. Control of this device gives Semcan a significant competitive advantage in these markets.

The Company relocated the ZMI operation to its facility in Milton, ON during June 2009. The slakers are now fabricated using local suppliers to avoid the heavy overhead of a manufacturing operation. Parts orders are handled by the Company's sales staff in Milton.

9. Discussion of Results for the Year to Date

9.1 Overall Profitability and Segment Results

The results for the period ended September 30, 2009 include the following results of operating units:

Stanco Projects Limited	Full Period
ZMI Portec Inc.	Full Period
Naston Limited	Full Period
Nucleus – Forward600 division	January 1/09 to April 27/09
Nucleus – Ken-Co division	January 1/09 to April 27/09
TEC Automotive Industries Inc.	January 1/09 to April 27/09
Enviro-Pro-Tech, Inc.	January 1/09 to August 31/09

The following operating units are classified as discontinued operations (see section 6.1.2) in the consolidated financial statements for the period ended September 30, 2009:

Distribution & Product Development:

Nucleus – Forward600 division
Nucleus – Ken-Co division
TEC Automotive Industries Inc.

Soil Remediation:

Enviro-Pro-Tech, Inc.

Engineering & Design – UK:

Naston Limited

The following chart shows the Company's operating results for the nine months ended September 30, 2009, with the operating results of the discontinued operations presented in the same way as those of the continuing operations.

	Nine months ended September 30, 2009		
	Continuing Operations	Discontinued Operations	Total
Revenue	\$26,136,682	\$23,364,816	\$49,501,498
Cost of goods sold	19,687,676	16,820,193	36,507,869
Amortization of acquired backlog	44,251	253,034	297,285
Total cost of sales	19,731,927	17,073,227	36,805,154
Gross margin	6,404,755	6,291,589	12,696,344
Unadjusted GM %	24.50%	26.93%	25.65%
Adjusted GM %	24.67%	28.01%	26.25%
Expenses			
Selling, general and administrative	5,152,183	4,423,639	9,575,822
Gain (loss) on foreign exchange	(5,545)	32,321	26,776
	5,146,638	4,455,960	9,602,598
Income before other items	1,258,117	1,835,629	3,093,746
Other items			
Interest Expense	836,734	110,608	947,342
Loss (gain) on disposal of capital assets	187,906	37,622	225,528
Amortization	683,819	432,467	1,116,286
Stock compensation expense	324,151	-	324,151
	2,032,610	580,697	2,613,307
(Loss) income before income taxes	(774,493)	1,254,932	480,439
Income taxes			
Current	278,821	66,780	345,601
Future	(138,896)	(147,817)	(286,713)
	139,925	(81,037)	58,888
(Loss) income from operations	(\$914,418)	\$1,335,969	\$421,551
Non-controlling Interest	-	887	887
Provision for loss on sale of discontinued operations	-	(8,322,341)	(8,322,341)
Net loss for the period	(\$914,418)	(\$6,985,485)	(\$7,899,903)
Adjusted EBITDA:			
Income before other items	\$1,258,117	\$1,835,629	\$3,093,746
Add: Amortization of acquired backlog	44,251	253,034	297,285
Adjusted EBITDA	\$1,302,368	\$2,088,663	\$3,391,031

The following chart shows the Company's performance for the nine months ended September 30, 2008, with the results of the discontinued operations presented in the same way as those of the continuing operations.

	Nine months ended September 30, 2008		
	Continuing Operations	Discontinued Operations	Total
Revenue	\$18,235,290	\$36,373,616	\$54,608,906
Cost of goods sold	13,254,350	27,991,642	41,245,992
Amortization of acquired backlog	1,067,364	737,134	1,804,498
Total cost of sales	14,321,714	28,728,776	43,050,490
Gross margin	3,913,576	7,644,840	11,558,416
Unadjusted GM %	21.46%	21.02%	21.17%
Adjusted GM %	27.31%	23.04%	24.47%
Expenses			
Selling, general and administrative	4,599,161	6,082,809	10,681,970
Gain on foreign exchange	(2,925)	(80,365)	(83,290)
	4,596,236	6,002,444	10,598,680
Income before other items	(682,660)	1,642,396	959,736
Other items			
Interest Expense	744,199	275,926	1,020,125
Amortization	486,776	1,159,780	1,646,556
Stock compensation expense	423,531	-	423,531
	1,654,506	1,435,706	3,090,212
Income before income taxes	(2,337,166)	206,690	(2,130,476)
Income taxes			
Current	223,491	458,395	681,886
Future	(443,026)	(399,599)	(842,625)
	(219,535)	58,796	(160,739)
(Loss) income from operations	(2,117,631)	147,894	(1,969,737)
Non-controlling Interest	-	(5,306)	(5,306)
Net (loss) income for the period	(\$2,117,631)	\$153,200	(\$1,964,431)
Adjusted EBITDA:			
Income before other items	(\$682,660)	\$1,642,396	\$959,736
Add: Amortization of acquired backlog	1,067,364	737,134	1,804,498
Adjusted EBITDA	\$384,704	\$2,379,530	\$2,764,234

The Company generated Adjusted EBITDA (earnings before interest, tax, depreciation and amortization, non-controlling interest and stock-based compensation expense) from continuing operations of \$1,302,368 for the period, compared with \$384,704 for the same period in 2008. Adjusted EBITDA from discontinued operations was \$2,088,663 compared with \$2,379,530 for the same period in 2008. Total Adjusted EBITDA was \$3,391,031 compared with \$2,764,234 for the same period in 2008.

The Company recognized charges in the period of \$297,285 (\$44,251 from continuing operations and \$253,034 from discontinued operations) for the amortization of intangible assets relating to acquired order backlogs. Under GAAP, the expected profits from orders held by the target company at the time of acquisition must be recognized by the acquirer as part of the assets purchased, and be amortized over the period they will be earned.

Management's focus is on EBITDA from continuing operations as the key measure of profitability. The principal expenses not considered in EBITDA are:

- Stock compensation expense of \$324,151. The Company is committed to retaining key staff, particularly in skilled engineering roles, and uses options to do so. A total of 1,935,000 options are currently outstanding; the full details are given in Note 10 to the financial statements.
- Amortization (excluding amortization of intangible assets relating to acquired order backlogs) of \$683,819. This amount includes \$481,599 related to the amortization of other intangible assets. The remaining \$202,220 is depreciation of fixed assets.
- Gains or losses on sale of capital assets. During the period, there was a loss of \$187,906 on the sale of assets, principally related to the move of ZMI Portec from Sibley, Iowa to Milton, Ontario. Redundant assets were liquidated in Sibley prior to the move.
- Interest expense and loan arrangement fees of \$836,734 are primarily related to bank debt, vendor take-back promissory notes and promissory notes to fund acquisitions.

Management's view of the period's results for the continuing operations is as follows:

- i. Revenues of \$26.1 million exceeded expectations for the period. Management expects the continuing business to generate revenues of approximately \$7.5 million to \$8 million per quarter. In the comparable period in 2008, revenues were \$18.2 million.
- ii. Adjusted gross margin of 24.50% is below expectation. This reflects greater-than-expected costs incurred in the first two quarters related to two large flue gas desulphurization projects, one in Canada and the other in the United States.
- iii. Selling, general & administration ("SG&A") costs represent 19.7% of revenue from continuing operations, and 19.34% of total revenue. Our expected ratio has been 18% - 20% of revenue based on the combined continuing and discontinued operation. Since the continuing operations will soon bear all of these costs, action has been taken to reduce corporate costs during the balance of 2009 to reflect the smaller go-forward operation and to keep the SG&A% of gross revenues in line. This SG&A expenses for the period include approximately \$1,185,000 of costs related to the public holding company.

- iv. Adjusted EBITDA of \$1,302, 368 is 5% of revenue, a disappointing performance reflecting lower than expected margins and the high SG&A costs. A reasonable objective for this ratio, after corporate costs, is 8%.

The results for the discontinued operations contain some one-time recoveries relating to Naston which were booked in Q2 2009, as follows:

	£	C\$
Increase in gross margin relating to recoveries booked from sub-trades involved with the Universal Beverages contract and refining of cost estimates related to this project.	622,034	1,117,546
Recovery of tax paid in previous years upon filing Naston's 2008 tax computation in Q2 2009	316,000	567,726

If these recoveries are normalized out of the results for the period, the adjusted EBITDA and operating income from discontinued operations would have been:

	Adjusted EBITDA	Income from Operations
Unadjusted amount	\$2,088,663	\$1,335,969
Increase in gross margin relating to recoveries booked from sub-trades involved with the Universal Beverages contract and refining of cost estimates related to this project.	(1,117,546)	(1,117,546)
Recovery of tax paid in previous year	n/a	(567,726)
Normalized	\$971,117	(\$349,303)

The normalized results are in line with expectations.

Adjustment to Carrying Value of Discontinued Operations:

Management has been working to sell Naston and EPT throughout 2009 and, closed the sale of EPT on August 31, 2009. The Company has found that potential purchasers are scarce and market values are low. The issues specific to Naston are a weak order inflow, as capital projects in the United Kingdom are being deferred. In the case of EPT, the Florida government used a significant portion of the Inland Trust Fund, which is used to fund the majority of EPT's business, for other purposes. While it is expected that these funds will be restored, the sale of EPT was based on a valuation of the business with the Trust Fund at current funding levels.

In Q2 2009, the Company recorded provisions against the carrying value of the discontinued operations. These were adjusted in Q3 2009. A write-down in the carrying value of these assets of \$8,322,341 has been booked in the nine months ended September 30, 2009, calculated as follows:

	Nucleus	Naston	EPT	Total
Net asset value prior to write-down	\$-	\$8,478,740	\$3,859,573	\$12,338,313
Estimated net realizable value	34,661	2,304,820	1,676,491	4,015,972
Provision recorded	(\$34,661)	\$6,173,920	\$2,183,082	\$8,322,341
Discontinued Operations balances written down:				
Goodwill	\$-	\$6,319,728	\$1,873,746	\$8,193,474
Current portion of intangible assets	-	-	163,661	163,661
Long term portion of intangible assets	-	285,376	580,805	866,181
Property and equipment	-	-	203,633	203,633
Future income taxes	-	(79,905)	(318,054)	(397,959)
Other	(34,661)	(351,279)	(320,709)	(706,649)
	(\$34,661)	\$6,173,920	\$2,183,082	\$8,322,341

These provisions are based on the expected net realizable value of Naston and EPT.

Segment performance for the year is set out in Note 12 to the financial statements. The revenue, adjusted gross margin and adjusted EBITDA of each segment for this period was as follows:

Segment	YTD 2009 Revenue	YTD 2009 Adjusted Gross Margin %	YTD 2009 Segment Adjusted EBITDA	YTD 2008 Segment Adjusted EBITDA
Engineering & Design, North America	\$26,136,682	24.67%	\$2,487,894	\$1,895,559
Engineering & Design, United Kingdom	14,882,559	23.78%	1,657,943	760,461
Soil Remediation	3,159,787	50.04%	365,801	575,323
Distribution & Product Development	5,322,470	26.76%	64,919	1,043,746
Corporate	-	n/a	(1,185,526)	(1,510,855)
Total Semcan Inc.	\$49,501,498	26.25%	3,391,031	2,764,234

9.2 Capital Expenditures and Dispositions

Expenditures on property, equipment and intangible assets for the nine months ended September 30, 2009 were as follows:

Continuing operations	\$111,980	Discontinued operations	nil
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10. Discussion of Results for the Second Quarter

10.1 Overall Profitability and Segment Results

The following chart shows the Company's performance for the quarter ended September 30, 2009, with the results of the discontinued operations presented in the same way as those of the continuing operations.

	Quarter ended September 30, 2009		
	Continuing Operations	Discontinued Operations	Total
Revenue	\$7,254,446	\$1,752,143	\$9,006,589
Cost of goods sold	5,185,672	927,432	6,113,104
Amortization of acquired backlog	-	(4,771)	(4,771)
Total cost of sales	5,185,672	922,661	6,108,333
Gross margin	2,068,774	829,482	2,898,256
Unadjusted GM %	28.52%	47.34%	32.18%
Adjusted GM %	28.52%	47.07%	32.13%
Expenses			
Selling, general and administrative	1,453,575	1,233,094	2,686,669
Loss (gain) on foreign exchange	62,619	1,743	64,362
	1,516,194	1,234,837	2,751,031
Income before other items	552,580	(405,355)	147,225
Other items			
Interest Expense	221,443	775	222,218
Loss (gain) on disposal of capital assets	6,068	47,590	53,658
Amortization	213,536	103,929	317,465
Stock compensation expense	97,551	-	97,551
	538,598	152,294	690,892
Income before income taxes	13,982	(557,649)	(543,667)
Income taxes			
Current	101,977	(69,411)	32,566
Future	(41,661)	(11,670)	(53,331)
	60,316	(81,081)	(20,765)
Income (loss) from operations	(\$46,334)	(476,568)	(522,902)
Recovery of (provision for) loss on sale of discontinued operations	-	226,813	226,813
Net loss for the period	(\$46,334)	(\$249,755)	(\$296,089)
Adjusted EBITDA:			
Income before other items	\$552,580	(\$405,355)	\$147,225
Add: Amortization of acquired backlog	-	(4,771)	(4,771)
Adjusted EBITDA	\$552,580	(\$410,126)	\$142,454

The following chart shows the Company's performance for the quarter ended September 30, 2008, with the results of the discontinued operations presented in the same way as those of the continuing operations.

	Quarter ended September 30, 2008		
	Continuing Operations	Discontinued Operations	Total
Revenue	\$6,244,917	\$13,746,454	\$19,991,371
Cost of goods sold	4,507,158	11,841,155	16,348,313
Amortization of acquired backlog	232,814	262,620	495,434
Total cost of sales	4,739,972	12,103,775	16,843,747
Gross margin	1,504,945	1,642,679	3,147,624
Unadjusted GM %	24.10%	11.95%	15.74%
Adjusted GM %	27.83%	13.87%	18.22%
Expenses			
Selling, general and administrative	1,775,047	2,087,796	3,862,843
Loss (gain) on foreign exchange	(2,033)	47,184	45,151
	1,773,014	2,134,980	3,907,994
Income before other items	(268,069)	(492,301)	(760,370)
Other items			
Interest Expense	290,657	109,700	400,357
Amortization	202,920	717,460	920,380
Stock compensation expense	141,177	-	141,177
	634,754	827,160	1,461,914
Income before income taxes	(902,823)	(1,319,461)	(2,222,284)
Income taxes			
Current	61,837	(186,157)	(124,320)
Future	(114,854)	(175,192)	(290,046)
	(53,017)	(361,349)	(414,366)
(Loss) income from operations	(849,806)	(958,112)	(\$1,807,918)
Non-controlling interest	-	(16,007)	(16,007)
(Loss) income for the period	(\$849,806)	(\$942,105)	(\$1,791,911)
Adjusted EBITDA:			
Income before other items	(\$268,069)	(\$492,301)	(\$760,370)
Add: Amortization of acquired backlog	232,814	262,620	495,434
Adjusted EBITDA	(\$35,255)	(\$229,681)	(\$264,936)

The Company generated Adjusted EBITDA (earnings before interest, tax, depreciation and amortization, non-controlling interest and stock-based compensation expense) from continuing operations of \$552,580 for the period, compared with (\$35,255) for the same period in 2008. Adjusted EBITDA from discontinued operations was (\$410,126) compared with (\$229,681) for the same period in 2008. Total Adjusted EBITDA was \$142,454 compared with (\$264,936) for the same period in 2008.

The Company recognized charges in the period of (\$4,771) (\$nil from continuing operations and (\$4,771) from discontinued operations) for the amortization of intangible assets relating to acquired order backlogs. Under GAAP, the expected profits from orders held by the target company at the time of acquisition must be recognized by the acquirer as part of the assets purchased, and be amortized over the period they will be earned.

Management's focus is on EBITDA from continuing operations as the key measure of profitability. The principal expenses not considered in EBITDA are:

- Stock compensation expense of \$97,551. The Company is committed to retaining key staff, particularly in skilled engineering roles, and uses options to do so. A total of 1,935,000 options are currently outstanding; the full details are given in Note 10 to the financial statements.
- Amortization (excluding amortization of intangible assets relating to acquired order backlogs) of \$213,536. This amount includes \$160,533 related to the amortization of other intangible assets. The remaining \$53,003 is depreciation of fixed assets.
- Gains or losses on sale of capital assets. During the period, there was a loss of \$6,068 on the sale of assets.
- Interest expense and loan arrangement fees of \$221,443 are primarily related to bank debt, vendor take-back promissory notes and promissory notes to fund acquisitions.

Management's view of the period's results for the continuing operations is as follows:

- i. Revenues of \$7.3 million were in line with expectations for the period. Management expects the continuing business to generate revenues of approximately \$7.5 million to \$8 million per quarter. In the comparable period in 2008, revenues were \$6.2 million.
- ii. Adjusted gross margin of 28.52% is in line with expectations.
- iii. Selling, general & administration ("SG&A") costs represent 20.0% of revenue from continuing operations, and 29.83% of total revenue. Our expected ratio has been 18% - 20% of revenue based on the combined continuing and discontinued operation. Since the continuing operations will soon bear all of these costs, action has been taken to reduce corporate costs during the balance of 2009 to reflect the smaller go-forward operation and to keep the SG&A% of gross revenues in line. This SG&A expenses for the period include approximately \$330,000 of costs related to the public holding company.
- iv. Adjusted EBITDA of \$552,580 is 7.6% of revenue, an improvement over Q1 and Q2 2009 but still below our objective of 8%.

The revenue, adjusted gross margin and adjusted EBITDA of each segment for the quarter was as follows:

Segment	Q3 2009 Revenue	Q3 2009 Adjusted Gross Margin %	Q3 2009 Segment Adjusted EBITDA	Q3 2008 Segment Adjusted EBITDA
Engineering & Design, North America	\$7,254,446	28.52%	882,820	\$540,078
Engineering & Design, United Kingdom	1,026,213	55.79%	(301,920)	(531,921)
Soil Remediation	725,930	34.74%	(108,206)	141,882
Distribution & Product Development	-	n/a	-	160,358
Corporate	-	n/a	(330,240)	(575,333)
Total Semcan Inc.	\$9,006,589	32.13%	142,454	(264,936)

10.2 Capital Expenditures and Dispositions

Expenditures on property, equipment and intangible assets for the three months ended September 30, 2009 were as follows:

Continuing operations	\$38,904	Discontinued operations	\$nil
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11. Outlook

The Company's continuing operations closed the quarter with an order backlog of approximately \$9,126,000, compared with a backlog at December 31, 2008 of \$18,740,400 and \$12,547,000 at June 30, 2009. The volume of responses to inquiries and requests for quotations remains high, though in some cases customers are having the Company complete the engineering portion of projects and deferring the capital build. Nonetheless, the long term outlook remains strong, based in large part on government regulation which is driving increasingly strict environmental standards in the Company's key areas of activity.

The specific areas of activity and market drivers for **continuing operations** are as follows:

Area of Activity	Market Segment	Regulatory Driver/Expected Result	Deadlines	Current Situation
Industrial waste water treatment	Oil sands – Alberta Mining -North and South America	In the Oil Sands market, restriction in availability of fresh water from Athabasca River. Oil Producers will be forced to reclaim water from lakes of contaminated water in order to continue production. In the Mining market, reagent systems are required to support product extraction (e.g. gold, copper, molybdenum, nickel) as well as treatment of the generated waste water to meet environmental regulations.	In the Oil Sands market, it is very likely that no new freshwater will be available for oil sands production, as early as 2012, based on total projects under consideration.	Activity has slowed considerably in 2009 with oil prices moving between US\$50 and US\$75 per barrel in recent quarters. Analysts suggest that new projects are economic with oil at greater than US\$70 per barrel. However, Oil Producers are awaiting sustained, multi-quarter higher oil pricing before committing to large capital expenditures. Activity has also slowed in the mining market in 2009, due to a drop in many raw metals prices associated with reduced demand. However, certain metals (e.g. gold) with ongoing high value continue to attract investment and capital expenditures. As other commodity prices climb back with economic growth post-recession, expect Mining Companies to review capital budgets and release investment for additional mining projects and upgrades.

Area of Activity	Market Segment	Regulatory Driver/Expected Result	Deadlines	Current Situation
Flue gas desulphurization	USA	Clean Air Interstate Rule/Clear Skies are forcing the retrofit of at least 150 coal-fired power plants. In addition, the relative abundance of coal in the US means that coal will continue to be used as fuel to produce electricity for many years.	First hurdle 2012, with successive tightening of regulations thereafter.	With heavy economic stimulus spending expected in the US and Canada, this area should be strong. The Obama administration has targeted control of greenhouse gases as a key initiative. However, U.S. federal regulations for environmental controls are in process of updating, with expectations for additional regulatory tightening of standards along with cap-and-trade programs to be implemented in 2010. As such, many power plant owners are awaiting the outcome of these new rules before committing to large expenditures for environmental compliance. Combined with less attractive financing access along with a general economic slowdown reducing power demand, projects have been delayed. Nevertheless, once updated federal standards have been promulgated, significant capital expenditures are expected into this market as power plant owners update pollution control equipment.
Municipal drinking water and waste water treatment	Canada and US	Continuing requirement for clean drinking water as well as treatment of municipal waste water to meet environmental regulations.	Ongoing	Continuing demand from this traditional market, as population grows and environmental regulations tighten.

The specific areas of activity and market drivers for **discontinued operations** are as follows:

Area of Activity	Market Segment	Regulatory Driver/Expected Result	Deadlines	Current Situation
Waste water treatment	United Kingdom	Increased cost of disposing of contaminated water, and increased cost of purchasing clean water from the utilities, along with financing of projects through the Aqueduct fund, are expected to induce industrial companies to build new facilities.	Ongoing.	Increased volume of orders expected through Aqueduct fund has not occurred. New funding for water projects under AMP5 program starts in 2010. Volume of order inquiries between now and then is very low.

At September 30, 2009, the Company's order backlog for the continuing business was approximately:

Area of Activity		Value
Flue gas desulphurization	\$	1,537,000
Mining and oil sands		3,475,000
Municipal water – North America		3,141,000
Industrial conveying systems		973,000
TOTAL	\$	9,126,000

At September 30, 2009, the Company's order backlog for the discontinued operations was approximately:

Area of Activity		Value
Waste water treatment – United Kingdom	\$	2,026,000
TOTAL	\$	2,026,000

12. Eight Quarter Review of Operating Results

	2009	2009	2009	2008	2008	2008	2008	2007
	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>	<u>Q4</u>	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>	<u>Q4</u>
Revenue	\$7,254,446	\$9,541,261	\$9,340,975	\$11,102,952	\$6,244,916	\$6,129,107	\$5,861,266	\$5,673,361
Gross profit	\$2,068,774	\$2,211,758	\$2,124,223	\$2,787,802	\$1,504,944	\$738,359	\$1,670,272	\$1,617,770
Gross profit %	28.52%	23.18%	22.74%	25.11%	24.10%	12.05%	28.50%	28.52%
Net income (loss) before discontinued operations	(\$46,334)	(\$386,510)	(\$481,574)	(\$184,944)	(\$1,082,381)	(\$984,058)	(\$51,192)	\$161,600
Per share (basic)	(\$0.002)	(\$0.012)	(\$0.016)	(\$0.006)	(\$0.039)	(\$0.037)	(\$0.002)	\$0.008
Per share (diluted)	(\$0.002)	(\$0.012)	(\$0.016)	(\$0.006)	(\$0.039)	(\$0.037)	(\$0.002)	\$0.007
Net income (loss)	(\$296,089)	(\$7,386,076)	(\$217,738)	(\$6,297,349)	(\$1,791,911)	(\$578,049)	\$405,529	(\$107,876)
Per share (basic)	(\$0.010)	(\$0.238)	(\$0.007)	(\$0.213)	(\$0.065)	(\$0.022)	\$0.018	(\$0.005)
Per share (diluted)	(\$0.010)	(\$0.238)	(\$0.007)	(\$0.213)	(\$0.065)	(\$0.022)	\$0.017	(\$0.005)

13. Related Party Transactions

Related party transactions during the nine months ended September 30, 2009 were:

- (a) The Company paid or accrued a total of \$75,015 (2008 - \$447,998) to a shareholder for services provided, comprised of \$75,015 (2008 - \$74,997) as a retainer for advisory services (including strategic and legal advice) and \$nil (2008 - \$373,000) of fees earned with respect to representation and completion of acquisitions made by the Company.
- (b) The Company paid rent of \$78,615 (2008 - \$73,800) for its corporate office at 365 Adelaide Street East, Toronto. The landlord is a company controlled by the Company's chairman. This office was closed on October 31, 2009, and the Company has been released from the lease for the premises effective December 31, 2009.
- (c) The Company accrued interest of \$163,136 (2008 - \$144,512) on a loan maturing July 20, 2011 from the Company's chairman and two companies controlled by a director. The loan is secured by a General Security Agreement granted by Semcan Inc. and Naston Limited. The proceeds of the loan were used to complete the acquisition of Naston Limited.
- (d) The Company paid or accrued interest of \$5,049 (2008 - \$nil) on a loan maturing September 30, 2011 from a company controlled by the spouse of the Company's Chief Financial Officer. The proceeds of the loan were used to fund capital expenditures.

14. Financial Instruments and Other Instruments

To date, the Company has not entered into any derivatives or financial instruments aside from day-to-day cash balances, accounts receivable, accounts payable, bank borrowings and term debt.

The Company faces exchange risk with respect to US dollar and UK pound denominated financial assets and liabilities. To date, the Company has not engaged in hedging through forward contracts to mitigate risk from fluctuations in the exchange rate between the US dollar, Pounds Sterling and the Canadian dollar. As the Company enters into future orders with international customers, it may use financial instruments to mitigate exchange risk. The Company intends to use these instruments in a non-speculative manner, and a policy will be developed and approved by the board prior to implementation.

The Company's debt is comprised of both fixed rate (primarily on promissory notes held by vendors of acquired businesses and the ZMI Loan) and floating rate (bank debt and the Bridge Loan). The Company views the overall profile of its debt structure to be advantageous given the current trend in interest rates and does not intend to use financial instruments to convert any of the outstanding debt to fixed rate or variable rate.

Details of the Company's financial risk management approach are given in Note 17 to the financial statements.

15. Critical Accounting Policies and Estimates

The Company prepares its financial statements in accordance with GAAP. The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses for the period of the consolidated financial statements. Significant accounting policies and methods used in the preparation of the financial statements are described in notes 1 and 2 to the 2008 audited annual consolidated financial statements.

Significant areas for which estimates are employed include:

- i) contract accounting and revenue recognition;
- ii) impairment analyses of goodwill and other intangible assets;
- iii) going concern assumption;
- iv) allowance for doubtful accounts; and
- v) the useful lives of property, plant and equipment and intangible assets.

The Company evaluates its estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Actual results could differ materially from those estimates and assumptions.

International Financial Reporting Standards

In 2008, the Canadian Accounting Standards Board confirmed that publicly-accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for interim and annual reporting purposes, beginning on or after January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010.

The Company began planning the transition from current Canadian GAAP to IFRS in 2009. The initiative is led by a senior finance member who will provide overall project governance, management and support. Representatives from the operating companies will be involved in the implementation of changes to systems and practices in order to report in accordance with IFRS.

Quarterly reports to the Audit Committee regarding the status of the transition were started during Q4 2009. We anticipate that the Audit Committee will play a more active and increasing role in the project during 2010.

The project plan consists of three phases: the initial assessment, detailed assessment and design, and implementation.

The Company is in the process of completing the initial assessment phase, which will include the development of a detailed timeline, the completion of a high-level review of the major differences between current Canadian GAAP and IFRS, and an initial evaluation of IFRS 1 transition exemptions. IFRS 1 provides guidance for first time adopters of IFRS. The initial assessment phase will also include education and training sessions for participants in the project and discussions with the Company's external auditors and advisors.

The detailed assessment and design phase involves completing a comprehensive analysis of the impact of the IFRS differences identified in the initial assessment phase.

During the implementation phase, the Company will implement the identified changes to business processes, financial systems, accounting policies, disclosure controls and internal controls over financial reporting.

The Company continues to assess the financial reporting impacts of converting to IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable.

16. Contractual Obligations

At September 30, 2009, the Company had the following commitments under operating leases requiring minimum payments and principal repayment obligations under long-term debt and notes payable:

	Operating Leases	Principal	Total
Continuing operations	\$1,217,330	\$5,965,881	\$7,183,211
Discontinued operations	427,796	-	427,796
Total	\$1,645,126	\$5,965,881	\$7,611,007

At September 30, 2009, the Company had contractual obligations to complete projects that were in progress. The remaining revenue to be earned on these contracts by continuing operations is approximately \$9,126,000. The remaining revenue to be earned on these contracts by discontinued operations is approximately \$2,026,000.

17. Share Data

Semcan Inc. is authorized to issue an unlimited number of common shares. Common shares of the Company trade on the TSX Venture Exchange under the symbol "STT." At the date of this report, the Company had 31,097,867 (September 30, 2008 - 31,058,267) common shares issued and outstanding. The Company is also authorized to issue an unlimited number of Preferred Shares, issuable in series. At the date of this report, no Preferred Shares have been issued.

The Company has paid no dividends on its common stock. The payment of dividends in the future will be dependent upon the financial condition, capital requirements, earnings and such other factors, as the Board of Directors may deem relevant.

On March 7, 2007 the Company introduced a stock option plan and granted options on 1,200,000 Common Shares to directors and officers of the company and its operating subsidiaries, of which 400,000 have been cancelled. The options are exercisable for a period of five years after vesting at an exercise price of \$0.65 per share. On November 1, 2007, the Company issued options on a further 1,085,000 Common Shares to employees of the Company and its operating subsidiaries, of which 50,000 have been cancelled. The options are exercisable for a period of five years after vesting at an exercise price of \$1.11 per share. On November 3, 2008, the Company issued options on a further 250,000 Common Shares to employees of the Company and its operating subsidiaries, of which 150,000 have been cancelled. The options are exercisable for a period of five years after vesting at an exercise price of \$0.59 per share.

Options granted to directors vest immediately, whereas options granted to management vest over a period of two to three years depending on level of management, and subject to the achievement of performance targets.

Common Shares and Warrants issued and outstanding at September 30, 2009:

	Warrants		Common Shares		Total
	Number	\$	Number	\$	\$
Balance at December 31, 2006	1,657,870	188,001	15,815,740	2,137,769	2,325,770
Issued upon acquisition of Nucleus	-	-	942,433	282,730	282,730
Issued upon exercise of warrants	(12,500)	(1,417)	12,500	6,417	5,000
Issued upon acquisition on Stanco Projects	-	-	1,111,111	738,789	738,789
Issued as a result of private placement	4,750,000	1,700,480	8,333,333	5,116,989	6,817,469
Balance at December 31, 2007	6,395,370	1,887,064	26,215,117	8,282,694	10,169,758
Issued upon exercise of warrants	(30,000)	(3,402)	30,000	15,402	12,000
Issued as a result of private placement	2,754,895	234,199	4,833,150	3,822,179	4,056,378
Issued to employees	-	-	20,100	6,030	6,030
Balance at December 31, 2008	9,120,265	2,117,861	31,098,367	12,126,305	14,244,166
Expiry of warrants (i)	(4,166,667)	(1,175,480)	-	-	(1,175,480)
Expiry of broker warrants (i)	(583,333)	(525,000)	-	-	(525,000)
Cancellation of shares issued to employees	-	-	(500)	(150)	(150)
Balance at September 30, 2009	4,370,265	417,381	31,097,867	12,126,155	12,543,536

(i) The value associated with the expired warrants was transferred to contributed surplus.

18. Risks

Our financial results are impacted by the performance of each of our segments, as well as various external factors influencing the environments in which they operate. While stronger performance by one of the segments may compensate for weaker performance by the other, any negative effects on the financial condition or results of operations of a segment have a negative impact on the financial condition or results of the operations of the Company. General risks are set out below; readers interested in reviewing risks particular to the two operating segments are advised to read the Company's Annual Information Form.

Going Concern

Readers are referred to section 1, which addresses the Company's current financial position and the Company's plans with respect to improving its liquidity.

The Company is currently in compliance with the financial covenants governing its bank borrowings. The Company breached one of the covenants under the borrowing agreement for the quarters ended December 31, 2008 and March 31, 2009, and the bank provided waivers for this non-compliance. On August 31, 2009, the Company repaid the remaining balance on its bank term debt.

At September 30, 2009, the Company has a working capital deficiency of \$7,446,089. The working capital deficiency for the continuing operations is \$5,152,096.

It will be necessary for the Company to access alternative financing, or negotiate extensions with respect to repayment of the balances owing on the Bridge Loan and the two promissory notes owing to the previous owners of Stanco and EPT, for the Company to be in a position to retire the current obligations in a manner acceptable to its lenders. It is not possible to predict whether the actions taken in satisfying these obligations will result in improvements to the financial condition of the Company in a sufficient manner to allow it to continue as a going concern.

There is no assurance that the Company will be able to execute these plans on a timely basis to repay the debt obligations. Due to material uncertainties related to negotiations with lenders, they cast significant doubt upon the Company's ability to continue as a going concern. As a result, there can be no assurance that expected future cash flows will be realized or will be sufficient for the Company to continue as a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and balance sheet classifications that would be necessary should the going concern assumption become inappropriate. These adjustments could be material to the financial statements.

Investment risk

Our strategy has included investing in successful companies operating high quality businesses that generate sustainable cash flows. There is risk that we could invest in a business that fails to meet our performance expectations over the medium to long term. We believe we mitigate this risk through the application of our investment criteria and our disciplined investment process. By investing in companies with a history of profitability and market prominence, we reduce the risk of future losses.

In all cases, we must be convinced of management's competence and character before investing. Our policy is to contract with existing management for a two- to three-year period to help us through the transition and be physically present in the event that operating or financial issues come to light which were not apparent during the due diligence examination. We typically finance a portion of the acquisition with a vendor take-back promissory note, the maturity of which coincides with the conclusion of the management contract.

We conduct business, legal, and financial due diligence investigations on all our acquisitions, and the purchase and sale agreements pursuant to which we make our investment in a target company generally contain customary representations and warranties with respect to the applicable business and related indemnities from the vendors regarding corporate matters, taxes, litigation, operations, employee matters, and financial statements, among others. However, there can be no assurance that we will uncover all risks associated with the investment in our due diligence investigations or that the representations and warranties given by such vendors will adequately protect against such risks or of recovery by us in the event of a breach of a representation and warranty.

From time to time, we may wish to divest of a business that is not meeting our performance expectations. This may result in losses from the disposal or wind-up of that business operation.

Business Valuations

When we were acquiring businesses, we sought to invest in excellent private businesses at prices that were accretive to shareholders. Market conditions, competitive factors, and the availability of suitable investments will have an impact on the prices at which we are able to acquire additional cash flows, should we acquire additional businesses in the future.

Condition of Capital Markets

The condition of the capital markets was a risk to Semcan when it was growing through acquisition. The Company's has revised its strategy in light of current conditions and is not as dependant on new equity to sustain growth.

Currency Risk

The Company's segments sell goods and services and purchase goods and services in Canadian dollars, US dollars, UK pounds sterling and Euros. Since the Company reports its results in Canadian dollars, it is exposed to changes in the value of the other currencies relative to the Canadian dollar.

Dependence on Key Personnel

The success of Semcan and of each of its segments depends on their respective senior management teams and other key employees, including their ability to retain and attract skilled management and employees. The loss of the services of key personnel could have a material adverse effect on the business, financial condition, results of operations or future prospects of Semcan and its segments. In addition, the growth plans described in this Annual Information Form may require additional employees, increase the demand on management and produce risks in both productivity and retention levels. Semcan and its segments may not be able to attract and retain additional qualified management and employees as needed in the future. There can be no assurance that Semcan will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on Semcan's business, financial condition, results of operations, and future prospects.

General Economic Factors

Semcan's business and the business of each of our segments is subject to changes in general economic conditions including but not limited to, recessionary or inflationary trends, equity market levels, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. We believe the risk from general economic factors is reduced since Semcan's business is focused on environmental improvement, which is driven more from regulation than from economic factors.

Environmental Legislation

Environmental matters are subject to regulation under a variety of international, federal, provincial, territorial, state and municipal laws relating to health and safety and the environment. Management believes that the segments are in material compliance with applicable environmental legislations; however, regulation is subject to change and, accordingly, it is impossible to predict the costs of compliance with new laws or the effects that changes would have on the segments or their future operations.

Labour

The success of the Company depends on the ability of the segments to maintain their respective productivity and profitability. The productivity and profitability of the segments may be limited by their ability to employ, train and retain the skilled personnel necessary to meet their respective requirements. None of the segments can be certain that they will be able to maintain the adequate skilled labour force necessary to operate efficiently and to support their growth strategies. In order to mitigate this risk, the Company has a practice of issuing share options to key employees. The options are issued at the prevailing share price at date of issue, and vest over a two- to three-year period subject to individual and company performance.

Furthermore, none of the segments can be certain that their labour expenses will not increase as a result of shortage in the supply of these skilled personnel. Labour shortages or increased labour costs could impair the ability of a segment to maintain or grow its respective business.

Interest Rate Risk

The interest charges under Semcan's operating lines of credit and certain other loans are based on the prime lending rate. Increases in rates could negatively impact our operating results.

Regulation

Semcan and its segments are subject to a variety of international, federal, provincial and local laws, regulations, and guidelines and may become subject to additional laws, regulations and guidelines in the future, particularly as a result of acquisitions. The financial and managerial resources necessary to ensure such compliance could escalate significantly in the future which could have a material adverse effect on Semcan's and its segments' business, financial condition, results of operations and cash flows. Although such expenditures historically have not been material, such laws and regulations are subject to change. Accordingly, it is impossible for Semcan or the segments to predict the cost or impact of such laws and regulations on their respective future operations.

Competition

There can be no assurance that Semcan and the segments will be able to successfully compete against their respective competitors or that such competition will not have a material adverse effect on their businesses, financial condition, results of operations, and cash flows.

Potential Unknown Liabilities

In connection with its acquisitions, there may be unknown liabilities assumed by Semcan through its interests in the segments for which Semcan may not be indemnified by the prior owner. The discovery of any material liabilities could have a material adverse effect on the business, financial condition, results of operations, and future prospects of Semcan. The Company endeavours to mitigate this risk through a rigorous due diligence process.

Potential Future Developments

Management of the Company, in the ordinary course of business, regularly explores potential strategic opportunities and transactions. The public announcement of any of these or similar strategic opportunities or transactions might have a significant effect on the price of the Company's securities. The Company's policy is not to publicly disclose the pursuit of a potential strategic opportunity or transaction unless and until a definitive binding agreement is reached or management is confident that the transaction will be completed. There can be no assurance that investors who buy or sell securities of the Company are doing so at a time when the Company is not pursuing a particular strategic opportunity or transaction, which, when announced, would have a significant effect on the price of the Company's securities.

19. Directors

Ian Conn
Dallas, Texas

Philip Jamieson
Toronto, Ontario

Ronald F. O'Hearn
Toronto, Ontario

Remy Stachowiak
Vancouver, BC

1 position is vacant

20. Additional Information

Additional information regarding Semcan Inc. is available on SEDAR at www.sedar.com. Further information about the Company's operations can be viewed at www.semcan.com, which links to other company websites.

The Company's auditors have not reviewed this document.

Appendix

GLOSSARY OF TERMS

In this document, the following terms shall have the meanings set forth below, unless otherwise indicated or the context otherwise requires:

“Adjusted EBITDA” means earnings before income taxes, depreciation and amortization of property and equipment and all intangible assets except for intangible assets related to acquired order backlogs, non-controlling interest and stock-based compensation expense;

“Bridge Loan” means a \$4,000,000 loan received on April 21, 2008 from Philip Jamieson, Tricaster Holdings Inc. and Combined Telecom Inc., the terms of which are fully described paragraph 5.2(iv) of this document;

“Company” means Semcan Inc., a corporation continued under the Canada Business Corporations Act, as well as its subsidiaries;

“Common Shares” means the common shares of Semcan Inc.;

“EBITDA” means earnings before income taxes, depreciation and amortization of property and equipment and all intangible assets, non-controlling interest and stock-based compensation expense;

“EPT” means Enviro-Pro-Tech, Inc., a corporation established under the laws of the State of Florida;

“Forward Division” and **“Forward600”** means the following operating division of Nucleus Distribution Inc.: Forward600 Precision Tools & Machinery;

“GAAP” means, at any time, Canadian generally accepted accounting principles, including those set out in the Handbook of the Canadian Institute of Chartered Accountants, applied on a consistent basis;

“Ken-Co Divisions” means the following operating divisions of Nucleus Distribution Inc.: Ken-Co, F.M.S.I., EFI, Perm-O-Seal, Paris Custom Tubing, and TEC Automotive Industries Inc.;

“Ken-Co Loan” means the \$2,000,000 promissory note maturing on February 28, 2009 relating to the Company’s purchase of Ken-Co Industries Ltd.;

“Normalized EBITDA” means EBITDA (earnings before income taxes, depreciation and amortization), as adjusted for income and expenses which will not be incurred by the target company post-acquisition;

“Nucleus” means Nucleus Distribution Inc. (formerly Nucleus Financial Network Inc.), a corporation established under the laws of the Province of Ontario;

“Segment EBITDA” means segment income plus amortization booked by that segment;

“Semcan” means the Company and its segments, collectively;

“Semco” means Semco Systems Limited, a corporation established under the laws of the Province of Ontario, and its operating divisions, which trade as Semco Systems. Stanco Projects and Walter Equipment. On June 4, 2009, the name of this corporation was changed to Stanco Projects Limited;

“SPL” means Stanco Projects Limited (formerly known as Semco Systems Limited), a corporation established under the laws of the Province of Ontario. On June 4, 2009, the name of this corporation was changed to Stanco Projects Limited;

“Stanco” means the operating division of SPL, which carries on business as Stanco Projects;

“TBS” means Transfer Bulk Systems, Inc., a corporation established under the laws of the State of Delaware, the name of which was changed to Stanco Projects Inc. on August 26, 2009;

“TSX Venture” means the Toronto Venture Exchange;

“Westdale Loan” or **“ZMI Loan”** means a \$3,000,000 loan received on November 12, 2008 from Westdale Construction Co. Ltd., the terms of which are fully described paragraph 6.2(iv) of this document; and

“ZMI” and **“ZMI Portec”** means the former assets of The Conveyor Company purchased by the Company on November 14, 2008. These assets are being operated by the Company to produce slakers, a key component of its engineered systems.