NOVIK CONTINUES ITS SALES GROWTH

FIRST QUARTER 2011 HIGHLIGHTS

- **Record sales for a first quarter at $4.5M**
- **16% sales growth versus first quarter 2010**
- **Increase in gross margin to 36% of sales**
- **Adjusted EBITDA of $390,000 compared with $49,000**
- **Net loss of $77,000 compared to $275,000**

MANAGEMENT DISCUSSION AND ANALYSIS

The management report was prepared in order to help understand the company's activities, performance, and financial position as of March 31, 2011. This management report compares the operating results and the cash position of the current period ended March 31, 2011, with those of the fiscal year ended December 31, 2010, and the quarter ended March 31, 2010. This analysis of the company's results of operations and financial position should therefore be read in conjunction with the audited and interim consolidated financial statements and related notes. The interim consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The financial information was prepared as at March 31, 2011, applied retrospectively. The conciliation between the previously used Canadian generally accepted accounting principles and the international financial reporting standards (IFRS) and the choices made in the transition are available in note 18 of the interim consolidated financial statements as well as in the "IFRS" section of this document.

The following information takes into account any significant event that occurred up until May 19, 2011, the date of the Board's approval of this management report on the recommendation of the audit committee.

FORWARD-LOOKING STATEMENTS

This MD&A may contain statements that are forward-looking in nature. These forward-looking statements may include, but are not limited to, comments with respect to the company's business, financial objectives, strategies or future actions, targets, financial forecasts, or outlooks for operating activities. Forward-looking statements are not guarantees of future performance, and the company's actual results may differ materially from those indicated or implied in these forward-looking statements as a result of various factors, including downturns in general economic conditions and resulting changes in client business, dependence upon a limited number of clients contributing a significant percentage of income, inability to acquire new clients or new orders from existing clients and the retention of key management or technical personnel. Assumptions related to future events involve judgments and risks, a good number of which are beyond the control of the company. Although management believes that the expectations reflected in the forward-looking statements are reasonable based on the information available upon their formulation, it cannot assure that the expectations will prove to have been correct. Accordingly, the reader should not place undue reliance on forward-looking statements.

NON-IFRS MEASURES

The company uses adjusted EBITDA (earnings before interest, income taxes, stock-based compensation costs, depreciation and amortization), a non-IFRS measure, to evaluate the company's performance. Securities regulators require that issuers warn the reader that such data (not based on IFRS) have no standardized meaning according to IFRS. It is therefore difficult to compare such data with similar data provided by other companies. This non-IFRS measure is presented solely as supplemental disclosure, because management believes they provide useful information regarding the company's liquidity and ability to generate funds to finance its activities.

OPERATING RESULTS

NOVIK INC. **for the periods ended March 31, 2011 and 2010** ***(in thousands of dollars, except data per share)***	**Period of three months**	Period of three months
	2011	2010
	$	$
Operating		
Revenue	**4,486**	3,854
Gross earnings	**1,619**	1,274
Earnings before interest, income taxes, stock-based compensation costs, depreciation, and amortization	**390**	49
Net loss	**(77)**	(275)
Basic and diluted net loss per share	**(0.002)**	(0.006)

Revenue

During the course of the first quarter of fiscal year 2011, Novik recorded revenues of $4.5 M, compared to $3.9 M during the same quarter of the previous fiscal year. This level of sales is a record for Novik during a first quarter, surpassing that of last year. It should be noted that for the last six quarters, Novik has had record sales for each of these periods.

Mr. Gaudreau indicates “this 16% growth in Novik sales in the first quarter compared to the same period of the previous fiscal year is localized in Europe and Mexico. Stronger economic activity in certain European countries has allowed Novik to make more deliveries on this continent since the beginning of the year with distributors in place. Greater sales of nearly $850,000 in the first quarter compared to the same period of the previous fiscal year suggest greater annual growth in 2011 compared to 2009 and 2010. In the last two fiscal years, European sales totalled $1.9 M in 2009 and $2.4 M in 2010. As for our Mexican sales, since the beginning of the year, a major distributor in this country has been given more construction projects using one of our roof coverings. As of today, orders totalling more than $1,000,000 have been received from this customer in 2011, and most of them will be delivered in the next quarter.”

At the Canadian level, sales remained stable in this first quarter compared to last year and despite the weather condition experienced in this period. The late snowmelt, seen mainly in Quebec and the Maritimes, slowed down construction and renovation projects in these territories.

In the US, the decrease in sales of nearly $400,000 is also explained in part by the severe weather conditions seen in the northern United States, which has delayed renovation and residential construction projects. In addition, during the first quarter of last year, Novik had offered advantageous introductory discounts to new US distributors. This initiative had thus allowed Novik to generate sales figures greater than those observed in the current quarter but at lower profitability.

Gross earnings

The company's gross margin for the first quarter of the current fiscal year totals $1.6 M, or a gross margin of 36% compared to 32% for the same period of the previous fiscal year.

This increase in the gross margin as a percentage is explained by the major factor of introductory prices offered last year at the beginning of the period to our large distributors. In order to encourage new distributors offering high potential volume to join Novik, favourable terms were granted to them last year to allow them to stock our products in their warehouses. This measure promoted the receipt of large orders in the first quarter of the previous fiscal year in return for this introductory discount. The impact of this introductory discount on the gross margin explains a positive change of 5% for the first quarter of the current year.

Two important variables should also be considered in analyzing the gross margin. The cost of raw materials and the Canadian exchange rate compared to the US dollar are very important for Novik, since raw materials represent a significant share of product cost and nearly 70% of sales are in US$.

The costs of raw materials consumed remained stable during the first quarter compared to last year, given the levels of inventory on hand at the beginning of the year. In order to protect itself against the sharp increases currently seen on the market, Novik had decided to stock up on a good part of its raw material needs for the production planned in the first quarter. This variable had no negative impact on Novik's gross margin for the first quarter. However, these costs are expected to impact Novik's gross margin for the next quarter, as the thresholds observed on the markets are currently at unprecedented highs. As such, customers were informed of an average increase in our prices of around 6%, which will begin in May 2011. A second increase in our prices could be called for in June 2011 if the upward trend in the cost of raw materials remains. On the other hand, Novik is working hard to find alternative raw material sources to offset the high prices observed on the market.

The Canadian exchange rate continued its appreciation against the US dollar during first quarter 2011 compared to the end of fiscal year 2010. The presence of foreign exchange contracts at the average rate of 1.07 partially reduced the negative impact of this variable.

Earnings before interest, taxes, depreciation, amortization, and stock-based compensation (adjusted EBITDA)

NOVIK INC. **for the periods ended March 31, 2011 and 2010** ***(in thousands of dollars)***	**Period of three months**	Period of three months
	2011	2010
	$	$
Adjusted EBITDA	**390**	49
Depreciation and amortization	**(330)**	(382)
Stock-based compensation	**(6)**	-
Financial expenses	**(167)**	(71)
Loss before income taxes	**(113)**	(404)

For the first quarter of fiscal year 2011, adjusted EBITDA is $390,000 compared to $49,000 for the same period of the previous fiscal year.

A higher level of sales of nearly $600,000 for the period compared to the previous year and lower levels of introductory discounts offered to new customers mainly explain this increase.

Selling expenses

The increase in selling expenses observed in first quarter 2010 of around $82,000 is explained by the higher number of commercial activities carried out by our sales and marketing team. With the desire to be more present and visible on the Canadian and US market, activities such as participating in trade fairs and open houses and sending samples of new products or new colours were initiated in this quarter.

Administrative expenses

Administrative expenses for first quarter 2011 were lower compared to the first quarter of the previous fiscal year, despite the sales growth seen in this period. The size of the administrative team is actually smaller than last year.

Financial expenses

Financial expenses for first quarter 2011 increased by $78,000 compared to first quarter 2010. The greater variation in the appreciation of the Canadian dollar compared to the US dollar observed in the first quarter of the previous fiscal year versus the current first quarter explains a higher foreign exchange gain on monetary elements. By isolating this variable, financial expenses remained stable compared to the same period of the previous year.

Net loss

The company's net loss for the first quarter of fiscal year 2011 amounts to $77,000 compared to a net loss of $275,000 for the same quarter of the previous fiscal year. The company generally shows a net loss in its first quarter of each fiscal year. This situation is explained by cyclical fluctuations, as the first quarter is normally a quarter signifying a slow-down in sales compared to the second and third quarter.

This reduction in net loss is directly in line with the same elements previously explained in the adjusted EBITDA section: the increase in the sales volume combined with the decrease in introductory discounts offered to major customers last year. These financial earnings are directly related to our desire to improve the company's profitability.

SUMMARY OF RESULTS FROM RECENT QUARTERS

(in thousands of dollars except amounts per share)	**Q 1 March 2011**	Q 4 Dec. 2010	Q 3 Sept. 2010	Q 2 June 2010	Q 1 March 2010	Q 4 Dec. 2009	Q 3 Sept. 2009	Q 2 June 2009
	$	$	$	$	$	$	$	$
Revenue	**4,486**	4,392	7,839	7,691	3,854	3,372	4,872	4,172
Net earnings (Net loss)	**(77)**	(55)	754	30	(275)	(678)	93	436
Basic and diluted net earnings								
(net loss) per share	**(0.002)**	(0.002)	0.016	0.001	(0.006)	(0.014)	0.002	0.009

Considering the seasonality of the residential and commercial construction and home improvement industry, Novik's second and third quarters of the fiscal year are often characterized by a higher demand, whereas the first and fourth quarters show a slight slowdown.

LIQUIDITY, FINANCIAL POSITION, AND COMMITMENTS

Liquidity

Operating activities

The lower net loss incurred during the first quarter of the current fiscal year, as explained above, increased cash flows from operating activities, excluding elements with no impact on cash, by $314,000 during the first quarter of the current fiscal year compared to the first quarter of the previous fiscal year. Cash flow related to operating activities was less than nearly $800,000 during the first quarter of the current fiscal year compared to the same period of the previous year. The decrease in accounts payable and accrued expenses and the increase in inventories between December 31, 2010, and March 31, 2011, explain this situation.

Financing activities

For the first quarter of the current fiscal year, financing activities increased by $788,000 compared to the first quarter of the previous fiscal year. This increase is mainly explained by long-term debts contracted at the start of the year.

During the first quarter, the company obtained a loan of $2,625,000, of which $1,853,125 has been paid. From the proceeds of this loan, the company repaid notes payable falling due from 2011 to 2015 totalling $1,428,490. The company also obtained a second loan of $400,000, the amount of which was paid during the period.

In the end, the company obtained a moratorium on capital payments for a period of six months on other loans. Capital payments payable at the end of the moratorium have been adjusted so that the capital is repaid according to the initial due dates.

These new loans will allow Novik to have an appropriate threshold of working capital in order to support the current growth observed in its sales.

Investing activities

Investing activities used comparable funds in the period compared to the same period of the previous fiscal year. These investments of around $394,000 were put forth to meet two needs: generating operational savings and improving our existing moulds in order to facilitate the installation of some of our products.

Financial position

NOVIK INC. *(in thousands of dollars, except data per share)*	**March 31 2011**	December 31 2010
	$	$
Financial position		
Total assets	**24,898**	24,469
Working capital	**2,516**	2,186
Total long-term financial liabilities	**9,553**	8,960
Total liabilities	**13,589**	13,090
Shareholders' equity	**11,308**	11,379
Shareholders' equity per share	**0.23**	0.23
Number of outstanding shares	**48,470,858**	48,470,858

Total assets

Total assets increased for the period ended March 31, 2011, compared to December 31, 2010. This rise of nearly $400,000 is partially attributable to the company's increased inventories in order to be in a better position to meet the high demand expected for the second and third quarters and the increase in accounts receivable, given that sales for the current period were higher than in the fourth quarter of the previous fiscal year.

Financial liabilities

Total liabilities increased by nearly $500,000 as of March 31, 2011, compared to December 31, 2010, given the greater use of its bank loan necessary for a quieter first quarter in terms of sales and the increase in the level of long-term debt, previously explained by the newly obtained loans.

Capital stock

Shares

No movement occurred in the first quarter of fiscal year 2011 on the company's Class A shares.

DATA ON THE SHARES	
Issued and outstanding as at March 31, 2011	**Issued**
Class A shares	**48,470,858**
Outstanding stock options as at March 31, 2011	
Options issued under the stock option plan	**2,430,000**
CLASS A SHARES	**Three-month period ended March 31, 2011**
	$
Volume traded	**1,814,300**
Average price	**0.30**
Closing price	**0.26**
Price range	**0.26 - 0.36**

Stock Options

During the quarter ended March 31, 2011, the company granted 25,000 stock options to a director of the company at an exercise price of $0.27, maturing on May 23, 2016. A compensation expense of $5,600 was accounted for in consolidated global earnings when they were granted given that they are immediately exercisable.

Note 12 related to the company's audited consolidated financial statements at December 31, 2010, also provides other information relating to capital stock.

Commitments

The company offers a limited, transferable warranty on its products, which reduces proportionally with the number of years. The typical warranty terms require that the company replace defective material during the warranty period at its own expense. The company posts a warranty provision when the products are shipped based on the estimated incurred costs of the warranty. As of March 31, 2011, this provision is estimated at $293,728.

The company also has contractual obligations on equipment and vehicle rental/use agreements. Note 16 to the interim consolidated financial statements provides a status of these commitments.

Related-Party Transactions

During the first quarter of fiscal year 2011, Novik made no related-party transactions.

FOREIGN CURRENCY FORWARD CONTRACTS

As at March 31, 2011, foreign currency forward contracts not designated as cash flow hedges and maturing in the next year totalled US$2,425,000 at an average conversion rate of 1.07 for the sale of US dollars.

SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of financial statements in compliance with the IFRS requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported on the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates include the allowance for doubtful accounts receivable, provisions for obsolete inventories, refundable tax credits, the useful lives and recoverable amount of property, plant, and equipment and intangible assets, future income taxes, capitalized development costs, warranty provisions, certain accrued liabilities, and the fair value of options granted to employees, officers, and directors. Management believes that these estimations are adequate; however, actual results could differ from those estimates.

The main accounting policies are described in note 2 to the interim consolidated financial statements as at March 31, 2011.

RISK FACTORS

The company's risk factors are presented in the management report for the fiscal year ending December 31, 2010.

RISKS AND UNCERTAINTIES

The company is confident about its medium- and long-term prospects. However, the reader should take into account the risks and uncertainties described in the 2010 annual report. They could impact the Company’s ability to fulfill its strategic vision and growth objectives. The reader is therefore invited to take them into account.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Company has adopted IFRS for the preparation of its interim and annual financial statements relating to fiscal year beginning on January 1, 2011.

Impacts related to the transition to IFRS are described in details in note 18 of the interim consolidated financial statements. In addition, the company did not identify any significant impacts from the IFRS transition related to information technologies and key internal controls.

First-time Adoption of International Financial Reporting Standards – IFRS 1

According to IFRS 1, adjustments required upon transition to IFRS will be made retrospectively against opening deficit on January 1, 2010, presented in the comparative balance sheet.

Novik applied IFRS retrospectively, but made the two following choices in order to minimize impacts on its opening statement balance sheet:

- IFRS 2 - Share-Based Payments: Equity instruments granted and vested before January 1, 2010 have not been restated;
- IFRS 3 - Business Combinations: Business combinations recorded prior to January 1, 2010 have not been restated.

Disclosure and reclassification

Under IFRS, the statement of changes in equity comprises all balances related to shareholder's equity. In consequence, Novik made an analysis in order to determine each component of equity that must be presented apart. It must be noted that IFRS do not have a direct equivalent for the notion of contributed surplus. Novik created two reserves, stocks options and warrants, to distinguish impacts on equity related to past transactions and allow for follow-up in the future. In consequence, as of January 1, 2010, $900,899 was credited to the opening balance of reserve – stock options, $640,074 was credited to the opening balance of reserve – warrants and $94,820 previously presented in the contributed surplus was credited to the opening balance of deficit.

Furthermore, the Company presents distinctly in the balance sheet the provision related to warranties in order to comply with IFRS. This figure was previously presented in the accounts payable and accrued liabilities.

Property, plant and equipment – IAS 16 and intangible assets – IAS 38

Novik decided not to revaluate its property, plant and equipment at fair value at the transition date and use the cost model for subsequent measurement of these assets.

In the context of IFRS transition, Novik performed a detailed analysis of the components of its property, plant and equipment that require distinct useful lives and reflected it appropriately in its amortization methods. Furthermore, the Company considered that the straight-line amortization method is more relevant to reflect the pattern in which the asset's future economic benefits from tangible and some intangible assets. In consequence, the Company modified its accounting policies and applied retrospectively the necessary adjustments.

The combined impact of these analyses, net of taxes, is $8,663 recognized in deduction of the opening deficit. The amortization expense of the first quarter of 2010 presented as comparative information was reduced. Including tax impacts of this adjustment of amortization for the period, the comprehensive income of the period increased by $166,017.

Detailed reconciliations of adjusted balances of shareholder's equity and comprehensive income are available in note 18 of the interim consolidated financial statements.

FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 9 Financial Instruments issued in November 2009 introduces new requirements for the classification and measurement of financial assets, financial liabilities and for derecognition. IFRS 9 will be effective for annual periods beginning on January 1, 2013, with earlier application permitted.

IFRS 9 requires all recognized financial assets accounted for that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally valued at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The Company anticipates that IFRS 9 will be adopted for the annual period beginning January 1, 2013. At this moment, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed. However, according to the nature of financial instruments held by the Company and the fact that the Company does not use hedge accounting, anticipated impacts are not significant.

OUTLOOK

Novik's financial performance in the first quarter of the current year is encouraging; thanks to the growth of its sales, cost containment, and reduction of its net loss. The posted results are directly in line with the objectives set at the beginning of the year: an increase in sales and better profitability compared to last year.

The current orders on hand and the current discussions with our Canadian, US, and international distributors allow us to remain positive about achieving our 2011 sales growth objective. However, we must be vigilant in the coming months in order to reach our financial objective of obtaining better profitability than last year. The significant increase in the cost of raw materials observed since the beginning of the fiscal year as well as the level of the Canadian dollar in relation to the US dollar bring external obstacles that must be addressed.

An increase in the price of our products already announced to our customer for May 2011, the search for and purchase of alternative materials at a lower cost without compromising the quality of our products, and the establishment of actions aiming to improve our production costs are measures already taken to react to these obstacles. We are also making significant efforts with our team members to bring about additional actions necessary to lessen these negative trends.

OTHER INFORMATION

Additional information about Novik is available on the Company's website at the address www.novik.com. The documents produced by Novik as part of its obligation of continuous disclosure, in particular its annual and quarterly management reports and its annual and quarterly consolidated financial statements, its 2010 annual report, its management proxy circular, as well as the company's various press releases can also be obtained directly through SEDAR at the following Internet address: www.sedar.com.

(s) Michel Gaudreau
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Chief Financial Officer

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