

NOVIK INC.

Interim Consolidated Financial Statements (unaudited)
March 31, 2010

Notice from management:

The interim consolidated financial statements have not been subject to a review by the company's external auditors.

Novik Inc.

Interim Consolidated Balance Sheet (unaudited)

| | As at March 31 (unaudited) | As at December 31 |
|---|----------------------------------|----------------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Accounts receivable (note 4, 8 and 10) | 2,745,604 | 2,369,825 |
| Inventories (note 5, 8 and 10) | 4,501,943 | 4,011,785 |
| Refundable tax credits | - | 174,168 |
| Prepaid expenses | 306,876 | 337,870 |
| | <u>7,554,423</u> | <u>6,893,648</u> |
| Receivable governmental assistance | 122,576 | 122,576 |
| Tax credits recoverable | 408,379 | 408,379 |
| Property, plant and equipment (notes 6 and 10) | 16,174,572 | 16,087,229 |
| Intangible assets (note 7) | 1,584,479 | 1,590,356 |
| Future income taxes assets | 359,205 | 212,140 |
| | <u>26,203,634</u> | <u>25,314,328</u> |
| Liabilities | | |
| Current liabilities | | |
| Bank loan (note 8) | 2,267,935 | 1,794,591 |
| Accounts payable and accrued liabilities (note 9) | 3,303,966 | 2,251,771 |
| Current portion of long-term debt (note 10) | 1,714,897 | 1,390,315 |
| | <u>7,286,798</u> | <u>5,436,677</u> |
| Long-term debt (note 10) | 8,410,715 | 9,059,624 |
| | <u>15,697,513</u> | <u>14,496,301</u> |
| Shareholders' Equity | | |
| Capital stock (note 11) | 9,946,318 | 9,946,318 |
| Stock options (note 11) | 672,586 | 672,586 |
| Contributed surplus | 962,667 | 962,667 |
| Deficit | (1,075,450) | (763,544) |
| | <u>10,506,121</u> | <u>10,818,027</u> |
| | <u>26,203,634</u> | <u>25,314,328</u> |

Commitments

The accompanying notes are an integral part of these interim consolidated financial statements.

Approved by the Board of Directors,

(signed) MICHEL GAUDREAU, Director

(signed) LOUIS-ANDRÉ GAUDREAU, Director

Novik Inc.

Interim Consolidated Statements of Deficit (unaudited)

| | Three Months Ended March 31, | |
|--------------------------------------|---|--------------------|
| | 2010 \$ | 2009 \$ |
| Balance – Beginning of period | (763,544) | 12,309 |
| Net loss for the period | (311,906) | (627,424) |
| Balance – End of period | (1,075,450) | (615,115) |

Interim Consolidated Statements of Contributed Surplus (unaudited)

| | Three Months Ended March 31, | |
|---|---|--------------------|
| | 2010 \$ | 2009 \$ |
| Balance – Beginning and ending of period | 962,667 | 958,621 |

The accompanying notes are an integral part of these interim consolidated financial statements.

Novik Inc.

Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited)

| | Three Months Ended March 31, | |
|---|---------------------------------|------------------|
| | 2010 \$ | 2009 \$ |
| Revenues | | |
| Gross revenues | 4,098,163 | 2,670,120 |
| Introduction and payment discounts | (244,472) | (25,274) |
| | <u>3,853,691</u> | <u>2,644,846</u> |
| Cost of sales | | |
| Direct costs | 2,311,619 | 1,361,857 |
| Depreciation and amortization of property, plant and equipment and intangible assets | 322,787 | 318,338 |
| | <u>2,634,406</u> | <u>1,680,195</u> |
| Gross margin | <u>1,219,285</u> | <u>964,651</u> |
| Operating expenses | | |
| Selling expenses | 1,113,840 | 860,249 |
| Administrative expenses | 363,968 | 397,972 |
| Research and development costs | 15,891 | 12,899 |
| Depreciation of property, plant and equipment | 7,251 | 8,289 |
| Amortization of intangible assets | 13,527 | 21,610 |
| Amortization of development expenses | 93,092 | 72,436 |
| | <u>1,607,569</u> | <u>1,373,455</u> |
| Loss from operations | <u>(388,284)</u> | <u>(408,804)</u> |
| Financial expenses | | |
| Interest and bank charges | 25,301 | 31,331 |
| Interest on long-term debt | 161,631 | 167,223 |
| Exchange loss (gain) | (116,245) | 315,267 |
| | <u>70,687</u> | <u>513,821</u> |
| Loss before income tax recoveries | <u>(458,971)</u> | <u>(922,625)</u> |
| Income tax recovery | | |
| Future income taxes | (147,065) | (295,201) |
| | <u>(311,906)</u> | <u>(627,424)</u> |
| Net loss and comprehensive loss for the period | <u>(311,906)</u> | <u>(627,424)</u> |
| Basic and diluted net loss per share (note 12) | <u>(0,006)</u> | <u>(0,013)</u> |
| Basic and diluted weighted average number of shares outstanding (note 12) | | |
| Basic | 48,470,858 | 48,470,858 |
| Diluted | 48,498,101 | 48,594,411 |

The accompanying notes are an integral part of these interim consolidated financial statements.

Novik Inc.

Interim Consolidated Statement of Cash Flows (unaudited)

| | Three Months Ended March 31, | |
|--|---|--------------------|
| | 2010 \$ | 2009 \$ |
| Cash flows from operating activities | | |
| Net loss for the period | (311,906) | (627,424) |
| Items not affecting cash | | |
| Depreciation and amortization | 436,657 | 431,411 |
| Future income taxes | (147,065) | (295,201) |
| Interest capitalized on long-term debt | 11,025 | 5,836 |
| Unrealized exchange loss (gain) | (112,693) | 29,365 |
| | <u>(123,982)</u> | <u>(456,013)</u> |
| Net change in non-cash working capital items (note 13) | <u>390,821</u> | <u>(138,955)</u> |
| | <u>266,839</u> | <u>(594,968)</u> |
| Cash flows from financing activities | | |
| Increase in bank loan | 473,344 | 1,059,261 |
| Long-term debt contracted | 118,357 | 741,118 |
| Increase in deferred financing expenses | (27,426) | (26,697) |
| Repayment of long-term debt | (426,283) | (278,053) |
| | <u>137,992</u> | <u>1,495,629</u> |
| Cash flows from investing activities | | |
| Additions to property, plant and equipment | (291,944) | (725,452) |
| Additions to intangible assets | (112,887) | (175,209) |
| | <u>(404,831)</u> | <u>(900,661)</u> |
| Net change in cash | - | - |
| Cash – Beginning of period | - | - |
| Cash – End of period | <u>-</u> | <u>-</u> |
| Additional information (note 13) | | |

The accompanying notes are an integral part of these interim consolidated financial statements.

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Notes to Interim Consolidated Financial Statements (unaudited)

1 Statutes and nature of activities

The company, incorporated under Part 1A of the Québec Companies Act, specializes in the design, manufacturing and marketing of new siding and roofing covers of polymer and of a wide variety of exterior and utility decorative products for residential and commercial construction and the home improvement industry.

2 Summary of significant accounting policies

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and use the same accounting policies and methods used in the preparation of the most recent annual consolidated financial statements of the company, except for the new accounting standards as disclosed in note 3. All disclosures required for annual consolidated financial statements have not been included in these financial statements. These unaudited interim consolidated financial statements should therefore be read in conjunction with the Company's most recent audited annual consolidated financial statements.

The financial information as at March 31, 2010 and for three-month periods ended March 31, 2010 and 2009 is unaudited. However, in the opinion of management, all adjustments necessary to present fairly the results of these periods have been included. The adjustments made were of a normal recurring nature. Interim results may not necessarily be indicative of results anticipated for the year. As well, the company's overall business cycle determines the evolution of its working capital.

3 Changes in accounting policies

Future changes in accounting policies

The company is currently assessing the impacts on the consolidated financial statements of the following recently issued standards:

a) Financial Reporting Framework

In 2008, the Accounting Standards Board ("AcSB") announced that all Canadian reporting entities, subject to certain exceptions, will adopt IFRS as Canadian generally Accepted Accounting Principles for fiscal years beginning on or after January 1, 2011. Therefore, publicly accountable enterprises, as the company, must adopt IFRS for the preparation of their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The company has developed a plan for the conversion of its consolidated financial statements to IFRS. An analysis of the differences between IFRS and the company's accounting standards is underway. This analysis is being conducted by taking into account the potential impacts, among others, on accounting policies, financial reporting and information technologies.

To date, the company is unable to expose the consequences of the conversion from Canadian GAAP to IFRS on its consolidated financial statements.

b) Business combinations, consolidated Financial Statements and Non-Controlling Interests

In January 2009, the AcSB issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". Section 1582, which will replace

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Notes to Interim Consolidated Financial Statements (unaudited)

Section 1581, "Business Combinations", establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3, "Business Combinations" (January 2008). Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements" (January 2008).

These new Sections apply for fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted, however, the three new Sections must be adopted simultaneously. The company does not expect to apply these new standards because it does not plan to elect an early adoption date and considers instead to adopt IFRS as of January 1, 2011.

4 Accounts receivable

| | As at March 31 | As at December 31 |
|--|---------------------------|------------------------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Trade | 1,789,463 | 1,553,685 |
| Government assistance receivable | 62,500 | 62,500 |
| Commodity taxes receivable | 128,337 | 29,906 |
| Deposits and others | 241,140 | 148,630 |
| Fair value of forward exchange contracts (note 14) | 524,164 | 575,104 |
| | <u>2,745,604</u> | <u>2,369,825</u> |

5 Inventories

| | As at March 31 | As at December 31 |
|----------------|---------------------------|------------------------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Raw materials | 1,153,308 | 1,044,514 |
| Finished goods | 3,348,635 | 2,967,271 |
| | <u>4,501,943</u> | <u>4,011,785</u> |

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Notes to Interim Consolidated Financial Statements (unaudited)

6 Property, plant and equipment

| | As at March 31, 2010 | | As at December 31, 2009 | |
|--------------------------|----------------------------|-----------------------------------|-------------------------------|-----------------------------------|
| | Cost \$ | Accumulated depreciation \$ | Cost \$ | Accumulated depreciation \$ |
| Land | 476,348 | - | 476,348 | - |
| Plant | 5,293,707 | 681,697 | 5,291,324 | 635,126 |
| Equipment | 8,545,262 | 2,499,622 | 8,254,810 | 2,351,538 |
| Molds | 6,981,024 | 2,051,567 | 6,873,863 | 1,936,436 |
| Office furniture | 72,879 | 49,573 | 72,759 | 48,353 |
| Computer equipment | 246,899 | 159,088 | 241,779 | 152,201 |
| | 21,616,119 | 5,441,547 | 21,210,883 | 5,123,654 |
| Less: | | | | |
| Accumulated depreciation | 5,441,547 | | 5,123,654 | |
| Net amount | 16,174,572 | | 16,087,229 | |

7 Intangible assets

| | As at March 31, 2010 | | As at Decembre 31, 2009 | |
|----------------------------------|----------------------------|-----------------------------------|-------------------------------|-----------------------------------|
| | Cost \$ | Accumulated depreciation \$ | Cost \$ | Accumulated depreciation \$ |
| Deferred development expenses | 2,082,097 | 905,763 | 1,989,563 | 812,671 |
| Software | 1,117,298 | 779,746 | 1,117,298 | 755,457 |
| Web site | 37,720 | 24,575 | 37,720 | 23,689 |
| Trademarks | 38,648 | 9,356 | 37,681 | 8,859 |
| Patents | 28,156 | - | 8,770 | - |
| | 3,303,919 | 1,719,440 | 3,191,032 | 1,600,676 |
| Less: | | | | |
| Accumulated amortization | 1,719,440 | | 1,600,676 | |
| Net amount | 1,584,479 | | 1,590,356 | |

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Notes to Interim Consolidated Financial Statements (unaudited)

8 Credit facilities

The company has an available authorized line of credit of \$4,000,000 or its equivalent in US dollar that can be used in the form of letters of credit or a bank loan bearing interest at the lender's Canadian prime rate plus 1.5 % and the US prime rate plus 1.5 %. The line of credit is renewable annually. Accounts receivable and inventories have been given as security for the line of credit.

As at March 31th, 2010, the company has outstanding letter of credit of \$USD 300,000.

9 Accounts payable and accrued liabilities

| | <u>As at March 31</u> | <u>As at December 31</u> |
|--|---------------------------|------------------------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Trade payable | 1,855,299 | 1,168,528 |
| Salaries and employee benefits payable | 159,417 | 288,117 |
| Accrued liabilities | 1,289,250 | 795,126 |
| | <u>3,303,966</u> | <u>2,251,771</u> |

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Notes to Interim Consolidated Financial Statements (unaudited)

10 Long-term debt

| | As at March 31 | As at December 31 |
|--|-------------------|----------------------|
| | 2010 \$ | 2009 \$ |
| Immoveable hypothec without delivery, bearing interest at prime rate plus 1%, payable in monthly principal instalment of \$17,170 plus interest, beginning in December 2010, maturing in November 2035 | 5,150,000 | 5,150,000 |
| Notes payable secured by a moveable hypothec on equipment, molds and all tangible assets, bearing interest varying at March 31, 2010 from prime rate plus 0.65%, libor rate plus 8.55% and fixe rate of 4.37% to 4.5%, maturing between 2011 and 2014 | 3,189,527 | 3,503,538 |
| Notes payable secured by a moveable hypothec on equipment and molds, bearing interest varying at March 31, 2010, from prime rate plus 0.5% to 1.9%, bank acceptance rate plus 2.7% to 2.9% and fix rate of 6.35%, maturing between 2010 and 2015 | 1,186,917 | 1,294,915 |
| Notes payable to Canada Economic Development, non-interest bearing, payable in equal and consecutive annual instalment totalling \$76,440, maturing between 2011 and 2013, discounted with an effective rate of 15% | 179,711 | 174,812 |
| Note payable to Canada Economic Development, non-interest bearing, payable in monthly principal instalments of \$3,000, beginning in March 2012 and maturing in February 2017, discounted with an effective rate of 15% | 205,242 | 90,178 |
| Note payable under a Strategic Support of Investment Program, non-interest bearing, payable in equal and consecutive monthly principal instalments of \$9,084, starting in April 2012 and maturing in March 2019, discounted with an effective rate of 15% | 367,858 | 362,713 |
| Deferred financing costs | (153,643) | (126,217) |
| | 10,125,612 | 10,449,939 |
| Less: Current potion | 1,714,897 | 1,390,915 |
| | 8,410,715 | 9,059,624 |

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As at March 31, 2010, the effective weighted average rate was 6,39% (6,40% as at December 31, 2009).

The company has a long-term debt totaling 2,089,628 \$ which is payable in US dollars.

The annual principal instalments required over the next five years are as follow: \$1,132,414 in 2010, \$2,390,673 in 2011, \$904,554 in 2012, \$824,116 in 2013 and \$546,494 in 2014.

11 Capital stock

- a) The company's authorized capital stock is now made up of an unlimited number of common shares, without par value, voting and participating.

Issued and fully paid:

| | <u>As at March 31</u> | <u>As at December 31</u> |
|--------------------------|---------------------------|------------------------------|
| | 2010 | 2009 |
| | \$ | \$ |
| 48,470,858 common shares | 9,946,318 | 9,946,318 |
| | <u>9,946,318</u> | <u>9,946,318</u> |

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Notes to Interim Consolidated Financial Statements (unaudited)

b) Stock options

The following table summarizes information about outstanding and exercisable stock options under of the plan since January 1, 2010:

| | Number | Carrying value \$ | Weighted average exercise price \$ |
|---|---------------|----------------------------------|---|
| Outstanding and exercisable - Beginning and End of period | 2,583,500 | 672,586 | 0,39 |

The following table summarizes information on outstanding and exercisable stock options under the plan as at March 31, 2010:

| Options outstanding and exercisable | | |
|--|---------------|--|
| Exercise price | Number | Weighted average contractual life (years) |
| \$0.19 | 330,000 | 2.15 |
| \$0.32 | 575,000 | 4.16 |
| \$0.40 | 425,000 | 3.16 |
| \$0.45 | 400,000 | 1.15 |
| \$0.46 | 120,000 | 1.00 |
| \$0.50 | 733,500 | 0.53 |
| | 2,583,500 | 2.10 |

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Notes to Interim Consolidated Financial Statements (unaudited)

12 Earnings per share

The following table summarizes the basic and dilutive weighted average number of common shares outstanding used in the basic and diluted net earnings per share calculations:

| | Three Months Ended March 31, | |
|---|---------------------------------|------------|
| | 2010 | 2009 |
| Basic weighted average number of shares outstanding | 48,470,858 | 48,470,858 |
| Dilutive stock options | 27,243 | 123,553 |
| | <hr/> | <hr/> |
| Basic weighted average number of shares outstanding | 48,498,101 | 48,594,411 |

A number of stock options corresponding to 2,253,500 shares (1,678,500 in March 2009) as at March 31, 2010 has been excluded from the calculation of diluted earnings per share because the exercise prices of these stock options were greater than the average market price of the common shares.

13 Additional disclosures on the statements of cash flows

a) Net change in non-cash working capital items

| | Three Months Ended March 31, | |
|--|---------------------------------|------------|
| | 2010 \$ | 2009 \$ |
| Accounts receivable | (263,086) | (161,904) |
| Inventories | (490,158) | (392,971) |
| Refundable tax credits | 174,168 | - |
| Prepaid expenses | 30,994 | (68,486) |
| Accounts payable and accrued liabilities | 938,903 | 484,406 |
| | <hr/> | <hr/> |
| | 390,821 | (138,955) |

b) Operating and investing activities

| | Three Months Ended March 31, | |
|---|---------------------------------|------------|
| | 2010 \$ | 2009 \$ |
| Acquisition of property, plant and equipment included in accounts payable and accrued liabilities | 113,292 | 223,322 |

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Notes to Interim Consolidated Financial Statements (unaudited)

c) Additional information

| | Three Months Ended March 31, | |
|---------------|---------------------------------|------------|
| | 2010 \$ | 2009 \$ |
| Interest paid | 146,279 | 156,485 |

14 Financial instruments

The fair value of foreign currency forward contracts as at March 31, 2010 is as follows:

| Purchasing currency | Selling currency | Par value in selling currency | Maturity | Fair value (a) \$ | Average rate |
|------------------------|---------------------|----------------------------------|----------|----------------------|-----------------|
| CAN\$ | US\$ | 2,587,500 | 2010 | 524,164 | 1,25 |

- (a) Fair value of foreign currency forward contracts generally reflects the estimated amounts that the company would receive by way of settlement of favourable contracts or would be required to pay to terminate unfavourable contracts at the balance sheet date.

15 Segment information

The company is organized under one single operating segment, as described in note 1.

Revenues by geographic region are detailed as follows:

| | Three Months Ended March 31, | |
|-------------------------|---------------------------------|------------|
| | 2010 \$ | 2009 \$ |
| Canada | 1,054,755 | 621,512 |
| United States | 2,690,213 | 845,530 |
| North America | 3,744,968 | 1,467,042 |
| Europe and Asia-Pacific | 108,723 | 1,177,804 |
| | 3,853,691 | 2,644,846 |

Revenues have been allocated based on the country of residence of the customer. All of the company's long-lived assets are located in Canada.

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Notes to Interim Consolidated Financial Statements (unaudited)

Major customers

Customers representing 10% or more of revenues are allocated as follows:

| | Three Months Ended March 31, | |
|------------|---------------------------------|-----------|
| | 2010 % | 2009 % |
| Customer 1 | 42,50 | 1,91 |
| Customer 2 | 17,49 | 16,77 |

16 Commitments

As at March 31, 2010, the company's minimum aggregate commitments under long-term equipment and vehicle lease agreements amount to \$91,431. Minimum lease payments required over the next five years amount to \$28,490 in 2010, \$24,303 in 2011, \$21,505 in 2012 and \$16,220 en 2013 et \$913 in 2014.