NOVIK EXCEEDS SALES & EARNINGS GOALS FOR 2007

2007 FISCAL YEAR HIGHLIGHTS

- **Record-breaking $15.2 million in sales; up 25% over 2006**
- **Gross margin at 39%; up 7% over 2006**
- **EBITDA adjusted increased to $2.5 million from $500,000 in 2006**
- **Net earnings up $400,000; compared to net loss of $957,000 in 2006**
- **Fourth quarter 2007 revenue increased by 83% over fourth quarter 2006**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis ("MD&A") was prepared in order to help understand the company's activities, performance, and financial position as of December 31, 2007. This MD&A analysis compares the operating results and the cash position of this fiscal year with those of the fiscal year ended December 31, 2006. This analysis of the company's results of operations and financial position should therefore be read in conjunction with the audited financial statements and related notes included in this annual report. The financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles. All amounts in this MD&A are expressed in thousands of Canadian dollars, unless otherwise indicated.

The following information takes into account any significant event that occurred up until March 27, 2008, the date of the approval by the board of directors of this MD&A, on the recommendation of the audit committee.

FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements reflecting the management's current expectations with respect to future events. Such forward-looking statements are dependent upon a certain number of factors and are subject to risks and uncertainties. Actual results may differ from those expected. Although management believes that its forward-looking statements are reasonable, based on the information that it had at the time they were made, it cannot guarantee that these forecasts will become a reality. As such, the reader is asked not to grant any unqualified significance to these forward-looking statements.

OVERVIEW

Core business activity

Novik is a Canadian company specializing in the design, manufacturing, and marketing of polymer exterior coverings and roofing, and a wide variety of exterior structural and decorative products, for the residential and commercial construction and home improvement industry. Polymer coverings and roofing products provide a new cost effective solution for consumers. Novik is a strong competitor in the polymer covering and roofing market, which is the fastest growing material sector in the world-wide construction industry. Novik's products replicate traditional natural materials such as wood, brick, stone, slate and clay. These products offer many benefits such as easy to install, low maintenance, highly weather resistant and at a fraction of the cost of the traditional product

According to a study by experts in the covering industry, the polymer sector should enjoy one of the largest growth rates in a market of more than $10 billion in North America alone. The North American roofing market adds another $10 billion. Novik expects to gain a greater world-wide market share over the coming years with its range of innovative products and limited players in this sector. Novik's product variety and quality give it a strong competitive advantage.

Geographical scale

Novik's sales are made through direct employees and sales agents to distributors who, in turn, resell them to contractors and retailers. Sales are also made directly to superstores. Distributor networks that are among the largest in Canada ensure the presence of "Novik" products in Canada's main cities. In the United States, the company is represented by approximately ten manufacturers' agents in close to 25 American states. International sales throughout the rest of the world now represent a significant share of its business. Through its combined marketing efforts and its distributors, Novik has generated a remarkable increase in international sales over recent years. Novik has solid business relationships with distributors throughout Asia and Europe and strong potentials in South America.

Strategically, Novik is concentrating on further establishing itself internationally adding numerous high growth potential countries to their list. Given our extended line of products, including various exterior coverings, roofing products, and accessories, Novik can easily meet the needs of consumers on a global scale and therefore reduce the risk of concentration of its sales in any one particular market.

Company strategy

Novik’s strategy for profitable growth is threefold:

- strong strategic commitment to increasing sales world-wide;
- leading the market with competitive products;
- decreasing operational costs to make Novik an extremely competitive and profitable company.

Novik’s vision is to be recognized as the leader in the polymer sector through leading edge, low cost aesthetic products that meet the needs of consumers.

Strategic priorities

In order to work towards profitability, Novik had to implement a program to find solutions to reduce its operating costs in order to be more competitive and to benefit from greater sales growth. In 2007, Novik benefited from the positive impact of actions taken in the previous year to achieve all of its financial objectives. The sales growth in new international markets, greater Novik representation on the Canadian market by its representatives, and development of our new roofing products allowed the company to enjoy sales growth of 25% compared to the previous fiscal year. In addition, we have put quite a bit of effort into diversifying Novik’s sales in other high-potential markets by introducing two new, exclusive polymer roofing systems with imitation slate and clay. These new products have allowed Novik to open its horizons to a vast market offering significant growth potential.

The plan to reduce production costs, which began in fall 2006, as well as the introduction of roofing products which, thanks to their uniqueness, provide significant margins made it possible to reach a gross margin of nearly 40% compared to 32% in the previous year. Novik's management is particularly proud of achieving this goal, since this success occurred while the Canadian dollar was rising in relation to the American dollar in 2007. This result demonstrates Novik’s potential in a more difficult economic context in North America.

As a result of the above, Novik was able to become profitable in a remarkable manner. Following net losses nearing a million dollars during the past two fiscal years, the company is showing a net earnings of $400,000 for fiscal year 2007.

With its objectives for 2007 achieved, Novik must continue its marketing efforts in order to significantly achieve higher sales. This vision was discussed during our recent strategic planning session, and our product marketing and development strategy was planned based on achieving this vision.

Our marketing strategy will now target four areas: the Canadian market, the American market, the international market, and the strategic partners. Each territory will be managed independently by leaders with the necessary experience to ensure the development of Novik products.

On the North American market, these leaders must have contacts in the market in order to demonstrate the benefits of Novik products over competitor products. These leaders and their respective sales teams will target not only distributors but also installers, real estate developers, and architects. We must succeed in building loyalty among these people so that Novik's various products can become a benchmark on the construction and renovation market. Our North American distributors will ensure that these people are served with Novik products. We believe that we have the products, marketing tools, and people to achieve significant growth on the North American market.

The international division will be managed by our president, who has developed several business relationships during his thirty years of sales experience. All of our current distributors are optimistic about continuing their growth plan with Novik products and also expect to expand their product lines to include those products already offered in these countries, such as roofing products. As previously mentioned, we are having important discussions with distributors in countries offering considerable short- and medium-term potential for Novik. These discussions should lead to new business opportunities for Novik.

Lastly, strategic customers, who also show great potential for Novik, will be handled by management. One of Novik's biggest customers, with more than 220 points of sale in the United States, has provided a stable level of sales over the past three years. This customer's sales could increase with the introduction of our new cedar boards into their network. This new exterior covering offers several advantages to customers, such as quality and competitive pricing, which includes installation. This important customer expects to place initial orders for delivery during the second quarter of fiscal year 2008. In addition, Novik has signed a partnership agreement with a major American manufacturer to offer our roofing products, our Perfecto covering, and certain accessories to their vast distribution network including over 600 distributors in USA. This new agreement will allow Novik products to be better recognized on the American market and offer significant growth in the sale of its products starting in 2008.

The management of these territories will be assessed independently, and Novik's management will keep an eye on the success of this marketing strategy.

As for our product development strategy, the introduction of a new eight-foot cedar board will allow Novik to pit one of its coverings against products that are very popular on the North American market, such as cement fibre and Canexel. This new product offers several advantages, as previously explained, including ease of installation. We will put a strong emphasis on installer and architect training during the next year in order to present these advantages and encourage sales growth.

Novik's management and R&D team are also working on various projects involving new polymer exterior coverings, offering lots of potential for the company. The next product to be introduced will be the polymer cedar roof, which is planned for the second quarter of fiscal year 2008. We are constantly evaluating market trends to better serve needs of our clients and to benefit from new opportunities.

In order to be ready to support this planned significant growth, we are currently considering an investment plan that includes the expansion of the current building, the purchase of injection and painting equipment, and the improvement of existing moulds and manufacturing of new moulds. The budget for this investment plan, spread out over fiscal years 2008 and 2009, amounts to approximately $4.5M.

The expansion of the current building is necessary for the following three reasons:

- to support the expected growth by having adequate warehousing, as just-in-time production is not possible given the high sales periods during the second and third quarters;
- to make it possible in the near future to add our new or potential new products to our inventory;
- to increase productivity in our painting shop by moving it into the new section.

Our painting shop is called upon more and more for orders that we receive, as we are one of the only manufacturers to provide quality painted products offering a wider variety of colours to consumers. We are also considering painting our roofing products as well as our new cedar board in order to offer a bigger selection of colours.

A cost/benefit analysis was performed in order to compare the option of expanding to renting a warehouse. We concluded that it would be preferable to expand, as the short-term cost would be lower and logistical complexity could be minimized. We have presented this investment plan to our financial partners, who are open to funding this major project. They are confident that Novik will succeed in achieving its growth and profitability objectives in the coming years.

The goals of Novik's management for fiscal year 2007 were ambitious, but, overall, it was able to achieve all of them. Sales growth of more than 25%, a noticeable increase in the percentage of gross margin despite a more difficult economic context, and a return to profitability were all achieved. We are now focused on reaching our financial goals for fiscal year 2008, aiming for growth equal to or greater than the level of sales. Current discussions with our sales team, our current and potential distributors, and our strategic partners ensure that we have the confidence to achieve these goals and also keep our vision for 2010 in mind: to take Novik's sales to a significant higher level. This is a tremendous challenge, but we believe that we have the people, the capacity and products to succeed.

Key performance indicators

Novik measures the company's performance on the whole by using key financial indicators, in particular revenues, gross earnings, earnings before interest, income taxes, stock-based compensation costs, depreciation, and amortization, and working capital. These items are described in the appropriate sections under the headings “Results of operations” and “Liquidity, financial resources, and commitments.”

The company's management also measures the performance of each of the product families and by sales territory with the help of certain indicators related to operations, including in particular the backlog, gross earnings as a percentage of revenues, percentage of deliveries made on time, expenses related to non-quality, cost reduction objectives attained, and production capacity utilization.

SELECTED ANNUAL INFORMATION

(in thousands of dollars, except per share data)	**Fiscal year 2007**	Fiscal year 2006	Fiscal year 2005
Revenues	**15,184**	12,170	11,296
Gross margin	**5,933**	3,834	3,745
Earnings before interest, income taxes, stock-based compensation costs, depreciation and amortization	**2,461**	523	670
Net earnings (net loss)	**400**	(957)	(795)
Basic and diluted net earnings (net loss) per share	**0.009**	(0.024)	(0.030)
Total assets	**16,250**	16,442	15,866
Working capital	**2,186**	2,203	2,318
Total debt, net of cash and excluding accounts payables and accrued liabilities	**5,291**	6,055	7,667

RESULTS OF OPERATIONS

REVENUES

During fiscal 2007, the company recorded revenues of $15.2M versus $12.2M for 2006. This 25% growth is directly related to Novik's marketing successes on the European and Canadian fronts.

Novik managed to increase its sales despite the downturn in the American real estate market and an average increase of 6% in the Canadian currency. This was done through penetration of the European market, increased penetration in the Canadian market and introduction of new leading edge roofing products in 2006.

Novik made a concerted effort to diversify itself within international markets, particularly Europe. This was made possible with the strength of our distributors and newly designed exterior sidings and roofing products.

Solid growth in the Canadian market was achieved through stronger representation of Novik products through our distribution and installer network. Through our sales force efforts there is greater recognition of Novik products on the Canadian market and we will continue these efforts to further grow.

The introduction of our new slate and clay roofing products also contributed $750,000 to our overall sales. These products are unique in the market and we expect these products to continue to significantly add to our revenue base in the future.

Gross margin

The company's gross margin for fiscal year 2007 amounted to $5.9M, or 39% of the company's total revenues in comparison with $3.8M for the previous fiscal year, or 32% of total revenues. This increased percentage of gross margin is all the more remarkable considering the negative pressure caused by the significant rise in the Canadian dollar in relation to the US dollar. Four factors are mainly responsible for the rise in gross margins:

- The gradual implementation in 2007 of two raw material cost reduction projects created significant annual and ongoing savings;

- Elimination of redundant positions and reduction of operational costs further contributed to annual and ongoing saving;.

- As sales volume increases the portion of our fixed costs, (currently included in our inventory costs at more than 30%) is spread over more product further resulting in increased gross margin . In addition, Novik still has not reached it maximum injection capacity, therefore, as sales grow gross margins will again increase.

- Introduction of our new replica slate and clay roof covering products which are unique on the world-wide market allowed for excellent gross margins.

Novik is, therefore, well positioned to continue to aim for a gross margin in excess of 40% during the coming years despite the pressure generated by the increased costs of raw materials and the appreciation of the Canadian dollar in relation to the US dollar.

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

(in thousands of dollars)	**Fiscal year 2007**	Fiscal year 2006	Fiscal year 2005
EBITDA adjusted	**2,461**	523	670
Stock-based compensation costs	**(104)**	(218)	(197)
Depreciation and amortization	**(1,126)**	(967)	(800)
Financial expenses	**(697)**	(614)	(696)
Earnings (loss) before income taxes	**534**	(1,276)	(1,023)

EBITDA adjusted is a measure that has no standardized meaning prescribed by Canadian generally accepted accounting principles. It is therefore considered to be a non-GAAP measure in Canada. Accordingly, this measure may not be comparable to similar measures presented by other issuers. This measure is presented and described in this MD&A in order to provide shareholders and potential investors with additional information regarding the company's liquidity and ability to generate funds to finance its activities.

For the fiscal year ended December 31, 2007, EBITDA adjusted amounted to $2.5M, compared with $0.5M for the previous fiscal year. This strong rise is due to increased sales during fiscal year 2007 as well as the improved gross margin explained above. Attaining this result proves that Novik is able to generate enough cash assets to meet its growth objectives and the expectations of its financial partners.

Selling expenses

The increase in selling expenses is attributable in large part to a greater marketing effort towards the penetration of our products in North American and foreign markets. Thus, the increased sales team representation in the Canadian and American markets and the expenses associated with a larger team contributed to an increase in these expenses. These expenses include travel, entertainment, exhibition, and marketing tool expenses. However, the increase in these expenses, on the order of nearly $200,000, is insignificant considering the growth in sales of $3,000,000; as a percentage of sales, selling expenses decreased from 22% to 19% in 2007 compared to the previous fiscal year.

Administrative expenses

The decreased administrative expenses of $109,000 observed in fiscal year 2007 in comparison with the previous fiscal year are explained mainly by lower stock-based compensation expenses. The fair value of the options granted to directors and officers in 2007 was less than in 2006. Monetary administrative expenses were stable compared to the previous year, demonstrating Novik's potential to manage its sales growth with the current team. These expenses should also remain stable over the coming years.

Research and development costs

The amount of research and development (R&D) costs, net of tax credits, increased by nearly $150,000 in comparison with the previous fiscal year. This increase is mainly related to the amortization of projects to develop new product or significantly improve existing products, which has been in place since fiscal year 2005. The amortization of development expenses now refers to three fiscal years in 2007 compared to two in 2006.

Financial expenses

The increase in financial expenses of $151,000 is explained by an exchange loss generated by the conversion of net monetary assets in American currency during 2007. This exchange loss is directly attributable to the appreciation of the Canadian dollar in relation to the US dollar during fiscal year 2007. The presence of foreign currency forward contracts made it possible to decrease a more significant loss partially, and Novik's management is constantly on the lookout for a negative change in Canadian currency in relation to foreign currencies in order to reduce the exchange risk by using an exchange policy adapted to its needs.

Net earnings (net loss)

The company's net earnings for fiscal year 2007 amounted to $400,000 compared with a net loss of $957,000 for the previous fiscal year. This profitability in 2007, preceded by two fiscal years at a loss, is directly linked to increased sales and reduced operating costs.

PRINCIPAL QUARTERLY FINANCIAL DATA

(in thousands of dollars, except per share amounts) (unaudited)	**Total**	First quarter	Second quarter	Third quarter	Fourth quarter
Fiscal year ended December 31, 2007					
Revenues	**15,184**	2,356	4,469	5,056	3,303
Net earnings (net loss)	**400**	(213)	311	304	(2)
Basic and diluted net earnings (net loss) per share	**0.009**	(0.006)	0.007	0.008	0.000
Fiscal year ended December 31, 2006					
Revenues	**12,170**	2,605	3,704	4,052	1,809
Net earnings (net loss)	**(957)**	(234)	(185)	106	(644)
Basic and diluted net earnings (net loss) per share	**(0.024)**	(0.006)	(0.006)	0.003	(0.015)

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

Revenues for the fourth quarter of the current fiscal year amounted to $3.3M compared with $1.8M in the corresponding quarter of 2006, an increase of more than 80%. This is the third consecutive quarter in which the company showed significant growth in its sales figures, resulting mainly from the marketing success on the European and Canadian markets.

It is worth outlining that Novik reaches a break-even point for its fourth quarter of fiscal year 2007 compared to a net loss of $0.6M in the same period of previous fiscal year. This financial result is an important improvement and highlights Novik potential for the future years.

LIQUIDITY, FINANCIAL POSITION, AND COMMITMENTS

Liquidity

Operating activities

The significant increase in profitability, as explained above, excluding items not affecting cash, had the effect of generating positive cash flows from operating activities for fiscal year 2007 on the order of $1.7M in comparison with negative cash flows of $0.1M in the previous fiscal year.

Non-cash working capital items decreased by $1.0M during the fiscal year ended December 31, 2007, compared to the previous fiscal year, due to the significant increase in the company's receivables, which is related to increased sales during the last quarter of the current fiscal year.

Therefore, cash flows related to operating activities improve to $1.8M during the fiscal year, compared with a positive amount of $1.0M for the previous fiscal year.

Financing activities

For the fiscal year ended December 31, 2007, cash flow used for financing activities in the amount of $1.0M came mainly from the repayment of long-term debt and partial repayment of the bank loan. New long-term debt contracted in current fiscal year offsets the total cash flow used by $0.7M for financing activities.

Investing activities

During fiscal year 2007, investing activities used funds to purchase moulds for new products and equipment to improve the productivity of our operations. The internal work associated with the costs of developing new products also explains the use of funds. The use of cash flows related to investing activities decreased by nearly $0.4M in view of the lower amount of equipment, mould and intangible assets purchases made during the current fiscal year compared with the previous year.

As explained in the "Strategic priorities" section, Novik expects to undergo a second investment phase in 2008-2009 in order to allow it to meet the needs of its current and potential customers. Management currently does not see any problems with its current and potential partners for funding most of these investments. The financial partners have already been targeted and are confident about the success of Novik's business plan.

Financial position

Novik's working capital as of December 31, 2007, is noticeably comparable to the figure as of December 31, 2006.

Total assets

Total assets decreased by $0.2M for the year ended December 31, 2007, compared with the previous year. The recovery of refundable tax credits from years prior to 2007 dampened the increase in receivables in late December. It is worth mentioning that inventory decreased by approximately $0.1M, despite an increase in the company's sales. This situation is explained by management's desire to manage inventory in a more disciplined manner.

Financial liabilities

Total liabilities were more than $0.7M lower on December 31, 2007, compared with December 31, 2006, following the repayment of part of the bank loan and the principal repayment of long-term debt. These repayments come from cash assets generated by operations.

Financial ratios

Novik is required by its financial institutions to meet specific financial ratios. As of December 31, 2007, all financial ratios were met.

Capital stock

The following table summarizes the capital stock activity since January 1, 2006:

	Twelve Months Ended December 31, 2007		**Twelve Months Ended December 31, 2006**	
	Number	**Stated value $**	**Number**	**Stated value $**
Balance – Beginning of year	45,799,429	8,542,611	39,028,000	6,555,469
Issuance of shares pursuant to private placements			6,771,429	2,074,194
Share issue expenses		(11 198)		(87,052)
Balance – End of year	45,799,429	8,531,413	45,799,429	8,542,611

[1] During the fiscal year ended December 31, 2006, the company made an equity investment of 6,771,429 common shares at a price of $0.35 per share.

As of the date of this MD&A, no change has been brought to the company's capital stock.

SHARE AND OPTIONS DATA	
Issued and outstanding as at December 31, 2007	**Issued**
Common shares	**45,799,429**
Stock options outstanding as at December 31, 2007	
Options issued under the stock option plan	**1,620,000**

COMMON SHARES	**Twelve-month period ended December 31, 2007**
	$
Transaction volume	**3,572,200**
Average price	**0.23**
Closing price	**0.17**
Range of market prices	**0.12 - 0.41**

Stock options

On September 20, 2005, the company put in place a stock option plan for employees, officers, and directors of the company as well as for consultants. Options vest over a maximum period of ten years and are exercisable under the conditions established by the Board of directors on the date of grant.
The purchase price of the shares under the plan corresponds to the quoted market price of the company's shares at the closing of the market on the trading day immediately preceding the date of grant.

The maximum number of shares issuable under the plan is limited to 7,435,600 shares, and the maximum number that may be granted to an optionee must not exceed 5% of all the issued and outstanding shares.

On March 29, 2006, the company granted 185,000 stock options at an exercise price of $0.46. These options will generate aggregate stock-based compensation costs of $51,800 over their vesting period and will mature on March 29, 2011. For the fiscal year ended December 31, 2007, an expense of $11,200 was posted. These stock options were granted to senior officers and a consultant of the company and are exercisable at the rate of 33% per annum from the first anniversary of the date of grant for the senior officers and 33% per annum from the date of grant for the consultant.

On May 25, 2006, the company granted 500,000 stock options to its directors at an exercise price of $0.45. These options generated total compensation expenses of $137,000 during their acquisition period and will mature on May 25, 2011. Compensation expenses of $137,000 were recorded for these new stock options. These stock options are immediately exercisable.

On May 24, 2007, the company granted 330,000 stock options to its directors and certain officers at an exercise price of $0.19, which will mature on May 24, 2012. Stock-based compensation expenses of $43,500 have been recorded for these new stock options, given that they are immediately exercisable.

The following table summarizes information relating to stock options under the plan since January 1, 2007:

	Number	**Carrying value $**	**Weighted average exercise price $**
Outstanding – Beginning of year	1,806,500	336,036	0.48
Granted during the year	330,000	-	0.19
Stock-based compensation costs	-	104,129	-
Cancelled during the year	(516,500)	(100,315)	0.49
Outstanding – End of year	**1,620,000**	**339,850**	**0.42**
Exercisable – End of year	**1,375,000**		**0.41**

As of the date of this MD&A, no change has occurred regarding the stock options.

Unit options

The following table summarizes information about unit options outstanding and exercisable since January 1, 2007:

	Number	**Carrying value $**	**Weighted average exercise price $**	**Weighted average remaining contractual life (years)**
Outstanding and exercisable – Beginning of year	634,240	88,541	0.50	0.59
Expired during the year	(634,240)	(88,541)	0.50	-
Outstanding and exercisable – End of year	**-**	**-**	**-**	**-**

Each unit option entitled the agent to purchase one unit at a price of $0.50 over a maximum period of 24 months from the date of grant. Each unit was composed of one share and one warrant for the company's capital stock.

Warrants

The following table summarizes information relating to warrants outstanding since January 1, 2007:

	Number	**Carrying value $**	**Weighted average exercise price $**	**Weighted average remaining contractual life (years)**
Outstanding – Beginning of year	12,313,715	774,944	0.80	0.96
Expired during the year	(8,928,000)	(491,798)	0.99	-
Outstanding and exercisable – End of year	**3,385,715**	**283,146**	**0.45**	**0.89**

Units issued upon the completion of equity investments made in fiscal year 2005 as well as unit options granted were composed of one share and one warrant. Each warrant entitled the holder to purchase one common share at a price of $0.75 per share before the 12th month from the date of grant or at a price of $1.25 per share between the 12th and 24th month from the date of grant. These warrants matured during fiscal year 2007.

Units issued upon the completion of equity investments made in November 2006 are composed of one share and one-half warrant. Each warrant entitles the holder to subscribe for one common share at a price of $0.45 per share between the 4th and the 24th month from the date of grant.

As of the date of this MD&A, no change has occurred regarding warrants.

Note 13 pertaining to the company's audited financial statements provides other information relating to capital stock.

Commitments

The company offers a limited, transferable warranty on its products, which decreases proportionally to the number of years. The typical warranty terms require the company to replace defective material during the warranty period at its own expense. The company records a provision for warranties when the products are shipped based on the estimated warranty costs to be incurred.

The company’s total minimum under long-term financing contracts amount to $4,937,619. The annual instalments required amount to $1,083,902 in 2008, $978,979 in 2009, $879,017 in 2010, $650,667 in 2011, $244,780 in 2012 and $1,042,030 thereafter.

The company’s total minimum commitments under agreements with service providers for equipments and vehicles amount to $107,815. The annual minimum commitments for the next four fiscal years amount to $43,949 in 2008, $40,556 in 2009, $19,844 in 2010 and $3,466 in 2011.

As part of the introduction of new innovative products and the acquisition of equipment, on December 31, 2007, the company committed to paying approximately $604,000.

Notes 12 and 20 pertaining to the audited financial statements provide a status of these commitments.

Related party transactions

During fiscal years 2006 and 2007, no significant transaction between related parties occurred.

The aforementioned expenses are detailed in note 17 to the audited financial statements as at December 31, 2007.

FINANCIAL INSTRUMENTS

Fair value

The company’s financial instruments recognized in the balance sheet are cash, accounts receivable, bank loan, accounts payable and accrued liabilities as well as long-term debt. The fair values of these financial instruments values due to their short-term maturity or to current market rates for the long-term debt.

Interest rate risk

Accounts receivable, government assistance receivable, as well as accounts payable and accrued liabilities bear no interest. The interest rates of the bank loan and the long-term debt are described in notes 10 and 12 respectively in the audited financial statements as at December 31, 2007.

Credit risk

The company continuously reviews, in the normal course of its operations, the financial position of its customers and examined the credit continuity schedule of all new customers. There is no existing account that represents a substantial risk for the company. The company establishes an allowance for doubtful accounts while keeping in mind the specific credit risk of customers, their historical tendencies and the economic situation. As at 31 December 2007, 81% (33% in 2006) of the company's accounts receivable is due from four customers (two in 2006).

Currency risk

Since a part of this company's revenues is denominated in US dollars, the company is exposed currency fluctuations. These risks are partially offset by its purchases in US dollars and foreign currency forward contracts.

Financial derivatives

The financial derivatives used by the company are foreign currency forward contracts. This involves financial contracts whose values are based on fluctuations in currency rates. The use of derivatives allows the transfer, modification, or reduction of current or expected risks, including exchange rate risks and other market risks. The derivatives are used by the company to manage its risks related to the exchange rates. The company has decided not to apply hedge accounting. Consequently, the foreign currency forward contracts are recorded at their fair value. The assets and liabilities on foreign currency forward contracts have been recorded under current assets or liabilities in the balance sheet. The unrealized gain or loss has been reflected in the statements of earnings. During fiscal year 2007, an unrealized gain on foreign currency forward contracts of $42,660 (unrealized loss of $9,056 in 2006) has been reflected in the statements of earnings. As at December 31, 2007, Novik has incurred a sum of US$1,800,000 (US$300,00 in 2006) as foreign currency forward contracts.

SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in 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 year. 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, consultants, and directors. Management believes that its estimates are adequate; however, actual results could differ from those estimates.

The main accounting policies are described in note 2 to the audited financial statements as at December 31, 2007.

NEW ACCOUNTING STANDARDS

Financial instruments

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued four new accounting standards in relation with financial instruments: Section 3855 "Financial Instruments – Recognition and Measurement", Section 3865 "Hedges", Section 1530 "Comprehensive Income" and Section 3251 "Equity." Sections 3855, 3865 and 1530 apply to fiscal years beginning on or after October 1, 2006, and were adopted by the company on January 1, 2007. The company has applied these changes prospectively.

Section 3855, "Financial Instruments – Recognition and Measurement" requires that all financial assets and liabilities be accounted for using one of four available accounting models: held to maturity, available for sale, held for trading, loans and receivables and other financial assets and liabilities.

Following is a summary of the accounting model the company has elected to apply to each of its significant categories of financial instruments outstanding as of January 1, 2007:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Bank loan	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities

Accounting changes

Effective January 1, 2007, the company adopted CICA Handbook Section 1506 "Accounting Changes". This section establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. In particular, this section allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information. Furthermore, this section requires disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective. Such disclosures are provided below. The adoption of this section had no further effects on the financial statements of the company for the year ended December 31, 2007.

FUTURE CHANGES TO ACCOUNTING STANDARDS

Capital Disclosures

The CICA issued Section 1535, "Capital Disclosures". This section establishes standards for disclosing information regarding an entity's capital and its management. The information provided by an entity should focus in particular on its objectives, policies and processes for managing capital, and disclose whether it complies with capital requirements to which it is subject and also what the consequences are in case of non-compliance. The new requirements will be effective starting January 1, 2008. The company is presently evaluating the impact of this new standard.

Financial Instruments – Disclosures and Financial Instruments - Presentation

The CICA issued new Sections 3862 and 3863, which will replace Section 3861, "Financial Instruments – Disclosure and Presentation". These sections require the disclosure of additional detail of financial asset and liability categories as well as a detailed discussion on the risks associated with the company's financial instruments, including how it manages these risks. These standards harmonize disclosures with International Financial Reporting Standards ("IFRS"). These new standards will be effective starting January 1, 2008. The company is presently evaluating the impact of these new standards.

Inventories

The CICA issued Section 3031, "Inventories" which will replace existing Section 3030 with the same title and will harmonize accounting for inventories under Canadian GAAP with IFRS. This standard requires that inventories be measured at the lower of cost and net realizable value, and includes guidance on the determination of cost, including allocation of overheads and other costs. The section also requires that similar inventories within a consolidated group be measured using the same method. It also requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The new section is effective beginning on or after January 1, 2008. The company is presently evaluating the impact of the adoption of this new section on its financial statements.

Going Concern

The CICA amended Section 1400, "General Standards of Financial Statement Presentation" to include requirements to assess and disclose an entity's ability to continue as a going concern (going concern assumption). This new standard will not have any significant impact on the financial statements of the company and is effective beginning on January 1, 2008.

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, “Goodwill and Intangible Assets”, replacing Section 3062, “Goodwill and Other Intangible Assets” and Section 3450, “Research and Development Costs”. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the company will adopt the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The company is currently evaluating the impact of the adoption of this new Section on its financial statements.

RISK FACTORS

Credit agreements

The credit agreements negotiated by the company include financial obligations that the company might not be able to meet in the future. The company would then be in default and would have to negotiate new terms or, at the request of the financial partners, repay its loans and find new financing sources. Unmet financial obligations under the credit agreements could therefore have a significant unfavourable effect on the company.

Exclusive intellectual property rights

The company utilizes technologies for which it holds certain intellectual properties. It is quite possible that other companies may develop similar products independently, thus rendering those produced by our company unnecessary.

The company's success will partially depend on its ability to protect its works and trademarks and to carry out its activities without infringing on the intellectual property rights of third parties and without its own rights being infringed.

Also, because a large majority of trademarks used by Novik are not registered with the Intellectual Property Office in Canada or in other countries, it is not certain that proof of ownership and exclusive use of works and trademarks used by the company can be demonstrated. There is no guarantee of adequate protection for the company's intellectual property in relation to the products of competitors. As part of conducting business, it is sometimes necessary to divulge certain trade secrets as well as knowledge covered by the intellectual property right.

Competition and technical obsolescence

The company must keep up with existing technology, competitors, as well as new companies launching new products. In order to remain at the cutting-edge of technology, the company must develop its related products. Whether it is competition from new companies in development and/or marketing of polymer coverings, a merger, or an acquisition of existing companies or subsidiaries, competition within the construction and renovation industry offering solutions similar to the company's own solutions should increase. A majority of the company's competitors have greater financial, technical, distribution, and marketing resources. Technological progress and product development can have the effect of rendering the company's products obsolete or reducing their value.

Growth management and market development

There is no guarantee that the company can develop its market significantly, which affects its profitability. The rapid growth of the company's range of work could possibly create significant pressures on our management, operations, and technical resources. In order to manage its growth, the company may have to increase the number of employees on its technical and operational staff and manage its personnel while maintaining numerous relationships with third parties effectively. There is no guarantee that the company will be able to manage its business growth. The company's inability to implement consistent management systems, add economic resources, or manage its expansion adequately could have a significant and unpredictable harmful effect on its activities and results of operations.

Conflicts of interest

In the future, some directors, officers, promoters, and other members of the company's management may act as director, officer, promoter, or member of the management of other companies and, consequently, it is possible that a conflict may arise between their responsibilities as director, officer, promoter, or member of the company's management and their responsibilities as director, officer, promoter, or member of these other companies.

In performing their duties with the company, there is no guarantee that the directors, officers, promoters, and other members of the company's management will not find themselves in situations that could bring about conflicts of interest. There is no guarantee that these conflicts would be settled in the company's favour.

The company's directors and officers are aware of the existing laws that make provisions for the responsibility of directors in regard to business situations that are favourable for the company and require that the officers divulge their conflicts of interest as well as the fact that the company will make use of these laws with regard to conflicts of interest of directors and officers or with regard to any breach of their responsibilities by its directors and officers. Any conflict of interest must be divulged by the directors and officers according to the provisions of the legislation applicable to companies, and these directors and officers must conduct themselves to the best of their skill and ability according to the obligations imposed upon them by the law.

Vulnerability to demand

The company receives the vast majority of its revenues from the sale of polymer exterior coverings and a full line of exterior decorative and structural accessories, and it feels that the revenues coming from these products will represent a significant part of the company's revenues for the foreseeable future. Future revenues related to the sale of polymer exterior coverings and a full line of exterior decorative and structural accessories will depend on sales to new customers. Consequently, the company is particularly vulnerable to fluctuations in the demand for polymer exterior coverings and exterior decorative and structural accessories. Therefore, if the demand for polymer exterior coverings and exterior decorative and structural accessories decreases significantly, the company and the results of operations could be negatively affected.

Establishing prices based on the market

The very competitive market in which the company conducts business could force the company to reduce its prices. If its competitors offer major discounts on certain products in order to regain market shares or take over new shares or sell other polymer exterior coverings and exterior decorative and structural exterior accessories, the company may have to lower its prices and offer other favourable ways of competing successfully. Such changes may reduce the profit margins and have an unfavourable effect on the company's results of operations. Some of the company's competitors could bring together polymer products that compete with their own for promotional purposes or as part of a long-term price establishment strategy or offer price guarantees or product installation. With time, these practices could limit the prices that the company may charge for its products. If the company cannot offset its price reductions with a corresponding sales increase or lower expenses, the decrease in revenues from the sale of polymer exterior coverings and exterior decorative and structural accessories could have an unfavourable effect on its profit margins and results of operations.

Labour force significance and cost

The company depends on the services of its technical employees and its key management personnel. The loss of one of these individuals could have a significant negative effect on the company, its results of operations, and its financial position. The company's success depends largely on its ability to continue to find, hire, train, motivate, and retain highly skilled management employees, technical employees, and sales and marketing staff. Competition with regards to its employees can be intense, and the company cannot guarantee that it will be able to recruit or retain highly skilled technical and management personnel in the future. The company's inability to recruit and retain necessary management and technical personnel and sales and marketing employees could have an unfavourable effect on its growth and future profitability. The company could be obligated to increase compensation paid to current or future employees in such a way that would increase operating expenses substantially.

Acquisitions

In the future, the company could selectively acquire products or businesses that it considers to complement its own. It is possible that the company may still not be able to find appropriate acquisition possibilities at reasonable prices, carry out an acquisition, or even successfully integrate an acquired product or business into its activities. Moreover, the company could face competition with companies likely to be acquired, including those of other parties that could have more significant resources than its own.

Product defects

Products that are manufactured and distributed by the company may contain defects that could be discovered at any time in the product's life cycle. Defects in the company's products could have a significant unfavourable effect on its reputation, impose significant expenses on the company, delay product launches, and harm the company's ability to sell its products in the future. The costs of correcting a defect in one of its products could be significant and could negatively affect its operating margins. Although the company expects to continue to test products to detect defects and to work with customers by way of support and maintenance services in order to find and correct defects, defects in its products could occur in the future.

Uncertainty in the construction and renovation market

The market for products produced and distributed by the company depends on the economic conditions affecting the broader market of construction and renovation. Economic recessions could result in customers cancelling or delaying orders for its products. In this context, the customers could experience financial difficulties, not buy its products, postpone budgets for purchasing the company's products, or take its business elsewhere. In turn, this situation could lead to longer sales cycles, delays or defaults on payments and collection, as well as pressures on the prices, which could result in lower revenues and margins for the company.

New regulations

Currently, Novik's activities are subject to laws regulating credit, product transport, product importing and exporting, and labour practices. These laws and regulations as well as the rules and supporting policies are managed by different organizations, by federal, provincial, municipal, regional, and local decision-making bodies, and by other government authorities. New laws governing the company's activities could be adopted, or changes could be made to existing laws, which could lead to significant consequences for the company's activities. The company's failure to observe applicable laws and regulations could subject it to civil or regulatory proceedings, and that could lead to significant negative consequences for the company's resulting financial position and its results of operations. Given that the company is considering expansion to the United States and abroad, it is probable that the company would expose itself, in such as case, to a large number of risks as it becomes subject to the regulations in effect in the United States and abroad.

Risks related to foreign currencies

More than 65% of Novik's revenues for the fiscal year ended December 31, 2007, came from sales made in US dollars. There are risks involved in converting balances from Canadian dollars into US dollars. Although Novik, generally speaking, does not hedge inventories purchased specifically for the US and foreign market, Novik enters into foreign exchange forward contracts in order to sell foreign currency for the purpose of locking in profits made from certain US and overseas activities. Since the exchange rate fluctuations are independent of the will of the company, nothing guarantees that these fluctuations will not harm its financial position and its operating earnings.

Fluctuations in securities

The price of the company's common shares could be volatile and could experience large fluctuations deriving from various factors including the following:

- Real or expected fluctuations in results of operations;
- Changes in estimations related to future results of operations from the company or from securities market analyses;
- News of technological innovations and new products made by the company or its competitors;
- General changes in the construction and renovation industry or related markets; and
- Other items or factors.

In addition, the financial markets have experienced significant fluctuations in prices and values which have particularly affected the prices of ownership interests in numerous companies and which were sometimes unrelated to the operating performance of these companies. Large market fluctuations, as well as general economic conditions or economic conditions specific to the construction and renovation industry, could have an unfavourable effect on stock prices.

The securities market

There can be no guarantee that an active market can be established and maintained for the company's securities. The market price of the company's securities could be prone to significant fluctuations. Factors such as governmental regulations, interest rates, movements in stock prices of peer companies or competitors, as well as market movements in general can have a significant effect on the market price of the company's securities. From time to time, the stock exchanges have experienced significant fluctuations in price and volume that were not at all related to the results of operations of specific companies.

OUTLOOK

Exceeding the financial objectives for 2007 represents a success for Novik's management. There is a strong strategic commitment to increasing sales world-wide, leading the market with competitive products and decreasing costs to make Novik an extremely competitive and profitable company. The 2007 financial results are proof that strong management and adherence to their strategy was successful.

Novik's vision is to be recognized as the leader in the polymer sector though leading edge, low cost aesthetic products that meet the needs of consumers. We will continue to strategically position ourselves to achieve this.

Novik's largest distributors and strategic partners have given Novik their vote of confidence for the future. They expect continued growth with the current product line and have increased expectations as new and improved Novik products are introduced. Our new strategic alliance, which involves providing a white label product for a large American manufacturer with a solid distribution market in the US, is promoting even faster sales growth. In addition, increased name and product recognition in Canada and the US are further growth factors. Novik has also strategically positioned itself to grow internationally through alliances with strong distributors. Solid growth has continued on a world-wide basis.

Novik, is positioned to achieve its forecasted 2008 financial objectives. Already the indications are that first quarter of fiscal 2008 is substantially better than the first quarter 2007 and above its 2008 forecast figures. Novik is looking to a very positive and strong financial and sales growth in 2008.

CONTROLS AND PROCEDURES

Disclosure controls

Our disclosure controls and procedures are designed to provide reasonable assurance that information is accumulated and communicated to management, including Novik Inc.'s President and Chief Executive Officer (CEO), General Manager (GM) and Vice-president of Finance (VP), to allow timely decisions regarding required disclosure.

As of December 31, 2007, an evaluation of the effectiveness of our disclosure controls and procedures, as defined under *Multilateral Instrument 52-109*, was carried out under the supervision of and with the participation of management, including the President, the CEO and the VP. Based on that evaluation, the President, CEO and the VP concluded that the design and operation of our disclosure controls and procedures were effective as of December 31, 2007, and ensure that information is recorded, processed, summarized, and reported within the time periods specified under Canadian securities laws.

Internal control over financial reporting

Management is responsible for designing adequate internal control over financial reporting, as defined under Multilateral Instrument 52-109. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The President and VP of Finance performed an assessment in order to determine whether the company has made significant changes to the internal controls during the fiscal year ended December 31, 2007, that had or possibly could have significant effects on these controls. No such change was identified from their assessment.

OTHER INFORMATION

For further information relating to Novik Inc., the reader may consult the SEDAR database at the following Internet address: www.sedar.com.

(s) Michel Gaudreau	*(s) Pascal Bouthot*
Michel Gaudreau	Pascal Bouthot, CA
President	Vice-President of Finance

March 27, 2008