

SALES INCREASE BY 43% IN THIRD QUARTER

THIRD QUARTER 2008 HIGHLIGHTS

- Sales increase by 43% to \$7,239,000
- Net income increase of 200% to \$917,000 compared with \$304,000
- EBITDA increased by 65% to \$1,731,000
- Sixth consecutive year-over-year quarter of sales growth
- Nine-month sales growth of 46% to \$17,393,000
- 2007 total sales exceeded after only nine months
- 11% return on sales for the first nine months compared with 4%

MANAGEMENT REPORT

The management report was prepared in order to help understand the company's activities, performance, and financial position as of September 30, 2008. This management report compares the operating results and the cash position of the current period ended September 30, 2008, with those of the fiscal year ended December 31, 2007, and the quarter ended September 30, 2007. This analysis of the company's results of operations and financial position should therefore be read in conjunction with the audited and interim financial statements and related notes. The interim financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles.

The following information takes into account any significant event that occurred up until October 30, 2008, the date of the Board's approval of this management report on the recommendation of the audit committee.

OPERATING RESULTS

NOVIK INC. for the periods ended September 30, 2008 and 2007 <i>(in thousands of dollars, except data per share)</i>	Period of three months	Period of three months	Period of nine months	Period of nine months
	2008	2007	2008	2007
	\$	\$	\$	\$
Operating				
Revenue	7,239	5,056	17,393	11,882
Gross earnings	3,032	2,014	7,130	4,659
Earnings before interest, stock-based compensation, taxes, depreciation and amortization	1,729	1,045	3,908	2,111
Net income	917	304	1,833	402
Basic and diluted net income per share	0.020	0.007	0.040	0.009

Revenue

During the course of the third quarter of fiscal year 2008, Novik recorded \$7.2M in revenue compared with \$5.1M during the same quarter of the previous fiscal year. This is a new record for Novik for one quarter. This growth observed during the third quarter of fiscal year 2008 has also allowed Novik to post a sixth consecutive quarter with an increase in its sales in relation to the same period of the previous fiscal year. This strong growth of 43% can be directly attributed to the introduction of innovative products and Novik's international success. In recent years, Novik has introduced value-added products having little competition, such as our imitation slate and clay roof coverings, thus allowing for the expansion of its potential customer base. The introduction of these products has enabled us to offer a broader range of products on the market with the ongoing objective of offering the market a quality/price ratio that best meets consumer demand. In addition to selling its products on the North American market, Novik has presented its products to distributors on a global scale over the past few years. The advantages offered by our products, such as easy installation, no maintenance, high quality, and a pleasant look, have ensured Novik's great success in several countries. International shipments amounted to nearly \$3.3M during third quarter 2008, compared with \$1.7M for the same period of the previous fiscal year. These international sales were made with distributors located on all continents, i.e. Europe, South America, and Asia. Given Novik's current success on the international scene, the company is continuing to explore new territories in order to maximize the potential of its products on a global scale. Sales visits are also planned for this autumn in Europe, Africa, and Asia to meet with potential partners who have already shown an interest in our products.

Despite the slowdown in the North American construction sector, sales on the North American market increased by nearly \$700,000 during third quarter 2008, compared with the same quarter of the previous fiscal year. This increase in sales demonstrates the potential of Novik's products. Being part of an industry sector with a promising future, i.e. the polymer sector, and being recognized as a company with expertise in this sector justify our desire to invest in our North American sales and marketing team. Novik is therefore continuing its efforts for better recognition on this market. Novik has hired a new vice president of sales for the United States who has more than 25 years of experience in the field of exterior coverings. He is currently building a powerful team combining Novik employees and sales agents. Novik has also hired people responsible for making the most out of our marketing strategy on the Canadian market. Novik's management is putting great emphasis on setting an effective, clear sales strategy for our sales force into motion and supporting the achievement our sales growth goals. The primary objective is to increase Novik's popularity on this market and therefore be ready when the market returns to an economic cycle of growth. This is why Novik went ahead in 2008 with a strategic capital expenditure valued at \$7,000,000 including extension of current facility, purchase of new injection and painting equipments as well as molds.

Novik's cumulative sales for the nine-month period amounted to \$17.4M, compared with \$11.9M for the same period of the previous year. This 46% growth is explained by the aforementioned items. It is worth pointing out that Novik has already surpassed its total sales for fiscal year 2007 in only nine months. Sales for the first nine months of fiscal year 2008 have exceeded the sales figure of \$15.2M made over a twelve-month period. Achieving these sales figures gives confidence in management's forecasts for 2008, which called for growth of 40% compared with the previous year.

Gross earnings

The company's gross earnings for the third quarter of the current fiscal year amounted to \$3.0M, or a gross margin of 42%, compared with 40% for the same period of the previous fiscal year. This 2% improvement in the gross margin was minimized by the appreciation of the Canadian dollar in relation to the American dollar for the third quarter compared with the same period of the previous year. With a constant exchange rate between the two periods, this improvement in gross margin percentage would have been greater. In addition, the increase in the price of raw materials had an impact on achieving a higher gross margin. This improvement is directly related to the following factors:

- The success of our cost reduction program initiated in the second quarter of fiscal year 2006 and finalized in spring 2007;
- The introduction of innovative products, such as our new cedar plank as well as our two slate and clay roof polymer covering products, offering significant gross margins;
- The company's significant increase in sales, promoting better use of resources and therefore benefiting from rewarding economies of scale.

For the nine-month period ended September 30, 2008, gross earnings amounted to \$7.1M, 41% on sales, compared with 39% for the same period of the previous fiscal year. Despite the pressure generated on the gross margin with the appreciation of the Canadian dollar in relation to the American dollar and the increased cost of raw materials, Novik is continuing to post impressive margins. It is worth pointing out that a second price increase on the company's products was communicated to its customers, informing them of an average increase in product cost of approximately 8% starting September 1.

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

For the third quarter of fiscal year 2008, adjusted EBITDA amounted to \$1.7M, compared with \$1.0M for the same period of previous fiscal year. EBITDA is around 65% greater than in third quarter 2007. This significant increase is explained in large part by the growth in sales, allowing Novik to benefit from a better distribution of its resources. A \$2.2M increase in sales during the third quarter compared with the same period of the previous fiscal year brought about a \$0.7M

increase in adjusted EBITDA, i.e. a return of nearly 25% on sales. This financial ratio indicates that the company can generate a great deal of cash if the growth continues.

For the nine-month period ended September 30, 2008, the adjusted EBITDA amounted to \$3.9M compared with \$2.1M for the same period of previous fiscal year, i.e. a return of more than 20% on sales.

NOVIK INC. for the periods ended September 30, 2008 and 2007 <i>(in thousands of dollars)</i>	Period of	Period of	Period of	Period of
	three months	three months	nine months	nine months
	2008	2007	2008	2007
	\$	\$	\$	\$
Adjusted EBITDA	1,729	1,045	3,908	2,111
Stock-based compensation costs	(11)	(13)	(176)	(90)
Depreciation and amortization	(338)	(284)	(905)	(796)
Financial expenses	(59)	(300)	(254)	(649)
Income before income taxes	1,321	448	2,573	576

Selling expenses

The increase in selling expenses observed during third quarter 2008, representing 15% of sales, is much less than the same period of the previous year, which was 19%. International sales generated lower selling expenses than Canadian or American sales, which explains why our increase in selling expenses is not comparable to our increase in sales.

Cumulative selling expenses totalled \$2.7M compared with \$2.0M for the nine-month period of the previous fiscal year. This increase in selling expenses was caused by the increase in sales and remains lower as a percentage of sales, i.e. 15% compared with 19% for the same period of the previous year.

Administrative expenses

Administrative expenses for third quarter 2008 increased by nearly \$100,000 compared with the second quarter of the previous fiscal year. This increase is due mainly to the increase in administrative salaries of the staff in place.

Administrative expenses increased by nearly \$350,000 for the nine-month period ended September 30, 2008, compared with the same period of the previous fiscal year. These higher expenses are explained by the aforementioned item as well as the allocation of stock options granted to directors and certain individuals of the company in May 2008. These stock options generated greater non-monetary compensation expenses than the previous year, given the higher value and volatility of Novik's stock price in 2008.

Financial expenses

Financial expenses for third quarter 2008 versus third quarter 2007 decreased by nearly \$245,000, which can be attributed to depreciation of the Canadian dollar in relation to the American dollar observed during this quarter in relation to an appreciation observed during the same period of the previous fiscal year. Interest expenses for bank and long-term debt remained more or less unchanged compared with the same period of the previous fiscal year.

Financial expenses for the nine-month period ended September 30, 2008, amounted to nearly \$255,000, compared with \$650,000 for the same period of the previous fiscal year. This decrease in expenses is mainly explained by the change in the Canadian dollar in relation to the American dollar. The presence of monetary net assets in the company, combined with a depreciation of the Canadian dollar in relation to the American dollar for the period between January 1, 2008, and September 30, 2008, allowed an unrealized exchange gain to be recorded for this period. The situation was different for the same period last year: the Canadian dollar appreciated in relation to the American dollar.

Net income

The company's net income for the third quarter of fiscal year 2008 amounted to \$917,000, compared with a net income of \$304,000 for the same quarter of the previous fiscal year. This significant improvement is directly linked to the increased sales. A 13% return on sales after taxes is an excellent result, especially in a more difficult North American industry.

For the nine-month period ended September 30, 2008, net earnings were \$1,833,000, compared with net earnings of \$402,000 for the same period of the previous fiscal year. These earnings constitute an increase of more than \$1,400,000 compared with the same period of the previous year versus an increase in sales of \$5,500,000 by comparing the same periods. These financial results are excellent and demonstrate the potential that Novik can offer in the coming years if the sales growth objectives continue in the future.

SUMMARY OF RESULTS FROM RECENT QUARTERS

(in thousands of dollars except amounts per share)	Q 3 Sept. 2008	Q 2 June 2008	Q 1 March 2007	Q 4 Dec. 2007	Q 3 Sept. 2007	Q 2 June 2007	Q 1 March 2007	Q 4 Dec. 2006
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	7,239	6,772	3,382	3,303	5,056	4,469	2,356	1,809
Net earnings (net loss)	917	811	105	(2)	304	311	(213)	(644)
Basic and diluted net earnings (net loss) per share	0.020	0.018	0.002	0.000	0.008	0.007	(0.006)	(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.

LIQUIDITY, FINANCIAL POSITION, AND COMMITMENTS

Liquidity

Operating activities

The profit during the third quarter of the current fiscal year, as explained above, excluding items not affecting cash, increased cash flows from operating activities during the third quarter of the current fiscal year by more than \$1,000,000 compared with third quarter of the previous fiscal year.

Cash flows generated by operating activities amounted to more than \$3,750,000 for the first nine months of the current year, compared with \$1,421,000 for the same period of the previous year.

Financing activities

For the third quarter of the current fiscal year, financing activities increased by \$2,800,000 compared with the second quarter of the previous fiscal year. This increase is explained mainly by an increase in the use of the bank loan as well as new debts contracted to finance the company's fixed asset acquisition plan during fiscal year 2008. To support Novik's current growth as well as the anticipated growth, the company must expand the current plant in order to have additional production capacity as well as an upper storage level. In addition, the acquisition of new presses with robots as well as new product moulds rounds out a strategic investment plan of nearly \$7,000,000 for the current fiscal year.

Cumulatively, financial activities increased by \$6,500,000 compared with the same period of the previous fiscal year for the same reasons explained above.

Investing activities

Investing activities used more funds during the third quarter of the current fiscal year compared with the same quarter of the previous fiscal year of \$3,200,000. This increase is explained by the strategic investment plan explained above. These investment activities increased by \$5,200,000 for the cumulative nine-month period in 2008 compared with 2007. This strategic investment plan has received the backing of the company's financial partners, and Novik plans to complete it in December 2008. This investment plan, valued at \$7,000,000, will be financed by the company's working capital and through long-term debt.

Financial position

NOVIK INC.	Sept. 30 2008	December 31 2007
<i>(in thousands of dollars, except data per share)</i>		
Financial position	\$	\$
Total assets	26,170	16,250
Working capital	4,085	2,186
Total debt, excluding accounts payable and accrued expenses	10,139	5,291
Total liabilities	14,979	7,062
Shareholders' equity	11,191	9,188
Shareholders' equity per share	0.24	0.20
Number of outstanding shares	45,799,429	45,799,429

Total assets

Total assets showed a rise for the period ended September 30, 2008, compared with December 31, 2007. This rise of nearly \$10.0M is partially attributable to the increased accounts receivable resulting from higher sales observed in the third quarter of the current fiscal year in relation to the first quarter of the same fiscal year. Inventory levels also increased, which is explained by the company's current sales growth. Lastly, the current extension of the plant and acquisition of new equipment and new moulds, which total more than the recorded depreciation, also explain the increased total assets.

Financial liabilities

Total liabilities increased by \$7.9M as of September 30, 2008, compared with December 31, 2007, given the greater use of its bank loan explained above, the increase in accounts payable and accrued liabilities caused by greater sales volume, and the financing of new equipment through long-term debt for the extension of the current plant and the purchase of new equipment and moulds.

Financial ratios

Novik is required by its financial institutions to meet specific financial ratios. As of September 30, 2008, all of the financial ratios were met, as well as on December 31, 2007.

Capital stock

Shares

No movement occurred in the third quarter of fiscal year 2008 on the company's Class A shares.

DATA ON THE SHARES	
Issued and outstanding as of Sept. 30, 2008	Issued
Class A shares	45,799,429
Outstanding stock options as of Sept. 30, 2008	
Options issued under the stock option plan	2,030,000
CLASS A SHARES	Nine-month period ended September 30, 2008
	\$
Volume traded	4,560,700
Average price	0.34
Closing price	0.40
Price range	0.17 - 0.50

Stock options

During the second quarter ended June 30, 2008, the company granted 425,000 stock options to its directors and certain officers at an exercise price of \$0.40 under the existing plan, which will mature on May 29, 2013. Stock-based compensation costs of \$141,490 have been accounted for in this regard. A cost of \$141,490 has been accounted for in the second quarter of current fiscal year, as these new stock options are exercisable immediately.

As of the date of this management report, no change has occurred regarding the exercise of stock options under the plan.

Warrants

As of the date of this management report, 2,671,429 warrants were exercised in October 2008 at \$0.45 per warrant. Each warrant gave the right to a Class A share in the company. The company received \$1,202,143 in cash by issuing these 2,671,429 Class A shares.

Note 12 related to the company's audited financial statements at December 31, 2007, 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 to 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.

In addition, the company has initiated an important capital expenditure project in 2008 in the amount of approximately \$7,000,000. This project includes the extension of the current plant and the acquisition of equipment and moulds in order for the company to support the current and anticipated sales growth. This project will be financed by the company's working capital and long-term debt. The necessary financing has been agreed with the various financial partners.

Finally, the company also has contractual obligations on long-term financing agreements, rental/use agreements, and storage spaces. Note 18 pertaining to the interim financial statements provide a status of these commitments.

Related-party transactions

During the third quarter of fiscal year 2008, Novik made no related-party transactions.

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 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 audited financial statements as of December 31, 2007.

NEW ACCOUNTING POLICIES

Effective October 1, 2007, the company adopted Sections 1506 “Accounting Changes”, 1535 “Capital Disclosures”, 3862 “Financial Instruments – Disclosures”, and 3863 “Financial Instruments – Presentation” issued by the Canadian Institute of Chartered Accountants (CICA).

Section 1506 “Accounting Changes” 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 policies 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.

The company has applied these new accounting standards prospectively in note 15 – Capital disclosures for Section 1535 “Capital Disclosures” and in note 16 – Financial instruments for Sections 3862 “Financial Instruments – Disclosures” and 3863 “Financial Instruments – Presentation”.

Capital disclosures

The company’s objectives when managing capital are to:

1. maintain financial flexibility in order to preserve its ability to meet financial obligations; and
2. deploy capital to provide an appropriate investment return to its shareholders; and
3. maintain a capital structure that allows multiple financing options to the Company should a financing need arise.

The company defines its capital as follows:

1. shareholders’ equity;
2. long-term debt, including the current portion;
3. bank loan;
4. cash and cash equivalents.

The company’s financial strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the company may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, raise debt (secured, unsecured, convertible and/or other types of available debt instruments), or refinance existing debt with different characteristics.

The company periodically monitors capital using a number of financial metrics comprised of financial metrics comprised of the following ratios:

1. long-term debt to net tangible value
2. coverage ratio of fixed costs.

Total long-term debt, a non-GAAP measure, is calculated as the sum of the long-term debt including the current portion.

Net tangible value, a non-GAAP measure, is calculated as the sum of shareholders’ equity less future income tax assets, intangible assets and deferred charges.

Coverage ratio of fixed costs, a non-GAAP measure is calculated as the sum of earnings from operations plus depreciation and amortization and stock-based compensation (EBITDA) to the current portion of the long-term debt and interest on bank charges and long-term debt.

The company's financial objectives and strategy as described above have remained substantially unchanged over the last two completed fiscal years. These objectives and strategy are reviewed on an annual basis. The company believes that its ratios are within reasonable limits, in light of the relative size of the company and its capital management objectives.

The company is also subject to financial covenants in its operating credit facility agreement, which are measured on a monthly basis. The company is in compliance with all financial covenants.

Financial instruments

Risk Management Policies

The company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at the balance sheet date of September 30, 2008.

Fair value

The financial instruments that the company has included in the balance sheet are accounts receivable, the bank loan, accounts payable and accrued expenses, as well as long-term debt. The fair value of these financial instruments is close to their accounting value because of their short-term maturity. The fair value of the long-term debt totalled around \$10,119,474 as of September 30, 2008 (\$4,879,375 as of December 31, 2007).

Credit Risk

The company's principal financial assets are accounts receivable, inventories, and fixed assets.

The company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the balance sheet are net of allowances for bad debts, estimated by the company's management based on prior experience and their assessment of the current economic environment. The company believes that the credit risk of accounts receivable is limited for the following reasons:

- A broad client base dispersed across varying industries and geographic locations.
- Just above 93% of trade receivables is outstanding for less than 60 days.

- Although 64% of the company's gross income in the first six months of fiscal 2008 is coming from its top three customers, the company believes that the credit risk associated with these customers is limited. In addition, the company performs periodic credit reviews of its customers.
- The company accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual account receivable.
- In the past three fiscal years, the company has not recorded bad debt expenses in excess of its provision for bad debts. The allowance for bad debts as at September 30, 2008, was \$57,395 and was \$15,000 as at December 31, 2007. All bad debt write-offs are charged to administrative expenses.

Liquidity Risk

The company actively maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

The following are the contractual maturities of financial liabilities as at September 30, 2008:

	Carrying Amount	Contractual Cash Flows	0 to 6 months	6 to 12 months	12 to 24 months	After 24 months
Accounts payable and accrued liabilities	3,122,517	3,122,517	3,122,517	-	-	-
Long-term debt	10,139,294	10,139,294	470,924	480,187	1,020,504	8,167,679
	<u>13,261,811</u>	<u>13,261,811</u>	<u>3,593,441</u>	<u>480,187</u>	<u>1,020,504</u>	<u>8,167,679</u>

Management believes that future cash flows from operations and availability under existing banking arrangements will be adequate to support these financial liabilities.

Based on historic movements and volatilities in the above market variables and management's current assessment of the financial markets, the company believes the following variations are reasonably possible over a 12-month period, net of income taxes using an estimated effective tax rate of 32%:

- Proportional foreign exchange rate variation of -10% (depreciation of Canadian dollar (CAD)) and +10% (appreciation of CAD) against the US dollar (USD), from a period-end rate of 1.0642.
- Proportional variation of +1% / -1% in the prime interest rates applicable in the company's respective regional reporting units.

If these variations were to occur, the impact on net earnings and equity for each category of financial instruments held at the balance sheet date is presented in note 16 to our unaudited interim financial statements.

NEW ACCOUNTING STANDARDS NOT YET ADOPTED

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. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The company does not expect any effects on its financial statements.

Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, "Goodwill and intangible assets", which supersedes 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. Section 3064 establishes standards for the recognition, measurement, presentation, and disclosure of intangible assets. The proposed changes specify that only costs associated with an item meeting the definition of an asset can be carried forward. The concept of linking expenses to income remains appropriate only to spread the cost of an asset over various periods in which it is consumed to generate periods. Standards relating to goodwill are unchanged from those included in Section 3062. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The company is currently evaluating the impact of the adoption of this new standard on its financial statements.

International Financial Reporting Standards ("IFRS")

In February 2008, the AcSB confirmed that Canadian generally accepted accounting principles for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption possibly allowed starting in calendar year 2009. The conversion to IFRS will be required, for the company, for interim and annual financial statements beginning on January 1, 2012. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences regarding recognition, measurement and disclosures. In the period leading up to the conversion, the AcSB will continue to issue accounting standards that are converged with IFRS,

such as IAS 2 “Inventories” and IAS 38 “Intangible Assets”, thus mitigating the impact of adopting IFRS at the mandatory transition date. The company is currently evaluating the impact of the adoption of IFRS on its financial statements.

RISK FACTORS

The company's risk factors are presented in the management report for the fiscal year ended December 31, 2007.

DISCLOSURE CONTROLS AND PROCEDURES

The President and Chief Financial Officer assessed the disclosure controls and procedures (as defined in Regulation 52-109 respecting Certification of Disclosure in Issuers’ Annual and Interim Filings) as of September 30, 2008, and concluded that the controls and procedures gave reasonable assurance that the material information with respect to the company is communicated to management.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal control over financial reporting (“IFCR”) is designed to provide reasonable assurance regarding the reliability of the Company’s financial reporting and its compliance with GAAP in its financial statements. The President and Chief Financial Officer have evaluated whether there were changes to its IFCR during the three months ended September 30, 2008, that have materially affected, or are reasonably likely to materially affect, its IFCR. No such changes were identified through their evaluation.

OUTLOOK

These positive results achieved since the beginning of fiscal year 2008 demonstrate Novik's potential with its line of products despite a declining industry on the North American market. Management is confident about reaching its annual financial objectives by the end of the year and looks to continue its growth in the coming years.

The development of new products in progress, the continuation of our business meetings on the global market, and the current discussions with major distributors of the American market should allow Novik to continue to stand out on the global market. Novik is continuing to put great sales efforts into the North American market and other targeted countries in order to continue its organic sales growth.

FORWARD-LOOKING STATEMENTS AND WARNING

This MD&A may contain statements that are forward-looking in nature. These forward-looking statements may involve, but are not limited to, comments with respect to the company's business or financial objectives, its strategies or future actions, its targets, expectations for financial condition or outlook for operations and future earn-out and additional equity interest obligations. Forward-looking statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements as a result of various factors, including downturns in general economic conditions and resulting changes in client or prospect business, the greater resources available to much larger competitors, dependence upon a limited number of clients contributing a significant percentage of income, inability to acquire new clients or new orders from existing clients as well as the retention of key management. Assumptions relating to the foregoing involve judgments and risks, all of which are difficult or impossible to predict accurately and many 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 information currently available, it cannot assure that the expectations will prove to have been correct. The company assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or any other reason, unless required by applicable laws. In the event the company does update any forward-looking statements, no inference should be made that the company will make additional updates with respect to that statement, related matters, or any other forward-looking statement. Accordingly, undue reliance should not be placed on forward-looking statements.

Earnings before interest, stock-based compensation costs, taxes, depreciation, and amortization (adjusted EBITDA) 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, the measure may not be comparable to similar measures presented by other issuers. This measure is presented and described in this management report 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.

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 financial statements, its 2007 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

Michel Gaudreau
President

(s) Pascal Bouthot

Pascal Bouthot, CA
Chief Financial Officer

October 30, 2008