

NOVIK INC.

Restated Interim Condensed Consolidated Financial Statements (unaudited)

March 31, 2011

Restatements summary :

Novik has restated its interim condensed consolidated financial statements of March 31, 2011 and June 30, 2011. Novik has firstly restated its IFRS comparative balance sheet as at December 31, 2010 by reclassifying an amount of \$7,863,902 from long-term debt in current liabilities. This reclassification followed the application of IAS 1 *Presentation of financial statements*, which requires to present in current liabilities any debt for which the company does not have unconditional right to defer settlement for at least twelve months after the reporting date. As at December 31, 2010, the company did not meet same financial ratio on certain long-term debts. In February 2011, an agreement on refinancing these debts was obtained allowing the company to respect this financial ratio. Thus, in accordance with IAS 1, Novik has reclassified an amount of \$7,863,902 of long-term debt in current liabilities as the refinancing was not obtained before the reporting date.

Novik has also amended the presentation of its interim condensed consolidated statement of comprehensive income to present operating expenses by function, as required by IAS 1. This change had the effect of allocating the amortization expense between the various functions, but had no impact on the total comprehensive income.

Finally, Novik has changed the adjustment on accumulated depreciation of property, plant and equipment at transition to IFRS as at January 1st, 2010. This modification results from the fact that the company has changed the useful life of some molds from 300 months to 46 months following a further analysis of the contracts signed with its customers. Since this information was available at the transition date, it should have been reflected in IFRS adjustments as at January 1st, 2010. That led the company to change its adjustments retroactively. Thus, the adjustment of consolidated equity as at January 1st, 2010 was reduced by \$ 52,553 related to Property, plant and equipment and increased by \$ 16,817 due to the adjustment of related deferred income taxes. Consequently, the quarterly amortization expense was subsequently modified to be increased by \$ 15,766, while the quarterly deferred income taxes expense has been reduced by \$ 5,045, for a net impact of a decreased of the total quarterly comprehensive income of \$ 10,721.

Notice from management:

The interim consolidated financial statements have not been subject to a review by the company's external auditors. These restated interim consolidated financial statements are filed on September 21, 2011 and were initially filed on May 9, 2011.

Novik Inc.

Interim Condensed Consolidated Statements of Financial Position (unaudited)

	As at March 31	As at December 31	As at January 1
	2011 \$ (restated)	2010 ¹ \$ (restated)	2010 ¹ \$ (restated)
Assets			
Current assets			
Accounts receivable (note 4, 8 and 10)	2,150,026	1,887,198	2,369,825
Inventories (note 5, 8 and 10)	4,861,151	4,695,966	4,011,785
Refundable tax credits	-	133,692	174,168
Prepaid expenses	422,223	351,956	337,870
	7,433,400	7,068,812	6,893,648
Governmental assistance receivable	60,076	60,076	122,576
Tax credits recoverable	438,594	438,594	408,385
Property, plant and equipment (notes 6 and 10)	15,557,094	15,467,656	16,077,795
Intangible assets (note 7)	1,277,026	1,318,618	1,534,502
Deferred tax assets	-	-	233,023
	24,766,190	24,353,756	2,269,929
Liabilities			
Current liabilities			
Bank loan (note 8)	1,982,889	1,621,972	1,794,591
Trade and other payables (note 9)	1,709,922	1,982,202	2,110,148
Provision for warranties	293,728	283,893	141,623
Deferred income	-	156,010	-
Current portion of long-term debt (note 10)	930,674	838,767	1,390,315
Part of the long-term debt may be due to short-term (note 10)	-	7,863,902	-
	4,917,213	12,746,746	5,436,677
Long-term debt (note 10)	8,622,543	257,758	9,059,624
Deferred tax liabilities	7,253	48,616	-
	13,547,279	13,053,120	14,496,301
Shareholders' Equity			
Capital stock (note 11)	9,946,318	9,946,318	9,946,318
Reserve - Stock option	1,022,499	1,016,899	900,899
Reserve - Warrants	640,074	640,074	640,074
Deficit	(389,980)	(302,655)	(713,663)
	11,218,911	11,300,636	10,773,628
	24,766,190	24,353,756	25,269,929
Commitments and contingent liabilities (notes 21 and 22)			

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

Approved by the Board of Directors,

(signed) MICHEL GAUDREAU, Director (signed) LOUIS-ANDRÉ GAUDREAU, Director

¹ 2010 figures restated for compliance with IFRS, refer to note 23 for reconciliation.

Novik Inc.

Interim Condensed Consolidated Statements of Changes in Equity (unaudited)

	Capital stock \$	Reserve – Stock option \$	Reserve - Warrants \$	Deficit \$ (restated)
Balance at January 1, 2010	9,946,318	900,899	640,074	(713,663)
Net loss and comprehensive income for the period	-	-	-	(285,455)
Balance at March 31, 2010	9,946,318	900,899	640,074	(999,118)
Recognition of share-based payments	-	116,000	-	-
Net loss and comprehensive income for the period	-	-	-	696,463
Balance at December 31, 2010	9,946,318	1,016,899	640,074	(302,655)
Recognition of share-based payments	-	5,600	-	-
Net loss and comprehensive income for the period	-	-	-	(87,325)
Balance at March 31, 2011	9,946,318	1,022,499	640,074	(389,980)

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

Novik Inc.

Interim Condensed Consolidated Statements of Comprehensive Income (unaudited)

	Three Months Ended March 31,	
	2011 \$ (restated)	2010¹ \$ (restated)
Revenues		
Gross revenues	4,523,131	4,098,163
Introduction and payment discounts	(37,311)	(244,472)
	<u>4,485,820</u>	<u>3,853,691</u>
Cost of sales (note 12)	<u>2,882,274</u>	<u>2,595,508</u>
Gross profit	1,603,546	1,258,183
Operating expenses		
Selling expenses (note 13)	1,196,031	1,113,840
Administrative expenses (note 14)	261,910	363,968
Research and development costs (note 15)	106,661	129,761
	<u>1,564,602</u>	<u>1,607,569</u>
Operating profit (loss)	38,944	(349,386)
Financial expenses (note 16)	<u>167,361</u>	<u>70,687</u>
Loss before income tax	(128,417)	(420,073)
Deferred tax income	<u>(41,092)</u>	<u>(134,618)</u>
Net loss and comprehensive income for the period	<u>(87,325)</u>	<u>(285,455)</u>
Basic and diluted net loss per share (note 17)	<u>(0,002)</u>	<u>(0,006)</u>
Weighted average number of shares outstanding (note 17)	<u>48,470,858</u>	<u>48,470,858</u>

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

¹2010 figures restated for compliance with IFRS, refer to note 23 for reconciliation.

Novik Inc.

Interim Condensed Consolidated Statements of Cash Flows (unaudited)

	Three Months Ended March 31,	
	2011 \$ (restated)	2010 \$ (restated)
Cash flows from operating activities		
Loss before income taxes for the period	(128,417)	(420,073)
Items not affecting cash		
Interest capitalized on long-term debt	27,386	11,025
Gain on disposal	(60,732)	(112,693)
Depreciation and amortization	345,915	397,759
Stock based compensation	5,600	-
	<u>189,752</u>	<u>(123,982)</u>
Net change in non-cash working capital items (note 18)	<u>(722,309)</u>	<u>390,821</u>
	<u>(532,557)</u>	<u>266,839</u>
Cash flows from financing activities		
Increase in bank loan	360,917	473,344
Long-term debt contracted	892,310	118,357
Increase in deferred financing expenses	(35,171)	(27,426)
Repayment of long-term debt	(291,735)	(426,283)
	<u>926,321</u>	<u>137,992</u>
Cash flows from investing activities		
Additions to property, plant and equipment	(322,740)	(291,944)
Additions to intangible assets	(71,024)	(112,887)
	<u>(393,764)</u>	<u>(404,831)</u>
Net change in cash	-	-
Cash – Beginning of period	-	-
Cash – End of period	<u>-</u>	<u>-</u>
Additional information (note 18)		

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

Novik Inc.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

1. Statutes and nature of activities

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

The address of the company's registered office is 160, rue des Grands-Lacs, St-Augustin-de-Desmaures, Quebec, Canada.

These interim condensed consolidated financial statements were initially approved by the board of directors and authorised for issue on May 19, 2011. These restated interim condensed consolidated financial statements were approved by the board of directors and authorised for issue on September 21, 2011.

2. Summary of significant accounting policies

Basis of reporting

These interim condensed consolidated financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The quantified information has been prepared in accordance with IFRS applicable as of March 31, 2011 applied retrospectively. The reconciliation between previous generally acceptable accounting principles (Canadian GAAP) and IFRS and Company's choices at the transition are available at note 23.

Interim consolidated results may not necessarily be indicative of results anticipated for the year. The company realizes higher percentage of its revenues in its second and third quarters of fiscal year. As well, the company's overall business cycle determines the evolution of its working capital.

Consolidation policies

These interim condensed consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, Novik Sales Corp, from the date of inception. Intercompany accounts and transactions have been eliminated upon consolidation.

Use of estimates and significant judgements

The preparation of financial statements in accordance with IFRS 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 period. Actual results could differ from those estimates. Detailed information about significant judgements of management related to impairment and useful lives of assets, provision for warranties and income taxes is available through policies described in note 2.

Foreign currency

The company's reporting currency is the Canadian dollar. The company's functional currency of Novik inc. and its foreign subsidiary located in the United States of America is the Canadian dollar.

Foreign currency transactions

The company translate its foreign currency transactions at the exchange rate in effect at year-end for monetary assets and liabilities denominated in foreign currencies. All other assets and liabilities are

Novik Inc.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

translated at the exchange rate in effect on each transaction date. Exchange gain or losses are accounted for in the condensed consolidated statement of comprehensive income. Revenues and expenses are translated at the average rate for the month.

Foreign subsidiary

The financial statements of its subsidiary are translated according to the same method as foreign currency transactions. In consequence, revenues, expenses and cash flows are translated at the average rate for the month. Monetary assets and liabilities are translated at the rate of exchange in effect at the end of the reporting period. All of the exchange gains and losses are current in nature and included in the condensed consolidated statement of comprehensive income.

Financial Instruments

The company classified its accounts receivable, except for the foreign currency forward exchange contracts, and governmental assistance recoverable in the category “loans and receivables”, and they are measured at cost, after amortization using the effective rate interest method. Bank loan, accounts payable and accrued liabilities, except for the foreign currency forward exchanges contracts, and long-term debt are classified as “other liabilities” and are measured at cost.

Foreign currency forward exchanges contracts are classified as “held for trading”, because the company has elected not to apply hedge accounting. Consequently, the company's foreign currency forward exchange contracts, which are used to hedge anticipated US-denominated sales, are recorded at fair value. Fair values of these contracts are presented in current assets or liabilities in the consolidated balance sheet, depending on the appropriate situation. The gain or loss on fair value has been accounted for in net income in the condensed consolidated statement of comprehensive income.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of raw materials is determined using the weighted average cost basis. Cost of finished goods is determined using the standard cost method.

The amount of inventories recognized as an expense during the period corresponds to the cost of sales presented in the condensed consolidated statement of comprehensive income.

Impairment of non-monetary long-lived assets

The company performed an assessment at the end of each reporting period whether there is any indication that an asset may be impaired. These analyses were performed for all tangible and intangible non-monetary assets.

If, at the date of the financial statements, there is any indication that a tangible or intangible non-current asset has been impaired, the recoverable amount of the asset should be estimated. The recoverable amount is the higher of the asset's net selling price and its value in use, estimated with reference to management's projections of future cash flows made by use of internal business plans or forecasts. If the recoverable amount of the asset is less than the carrying amount, an impairment loss is recognized and the carrying amount of the asset is reduced to the recoverable amount.

Property, plant and equipment

Property, plant and equipment are accounted initially and subsequently for at cost, less amortization and any recognised impairment loss. They are accounted for and depreciated by components from the date

Novik Inc.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

they are ready for their intended use over their estimated useful lives using the straight-line method and followings periods:

	<u>Periods</u>
Plant	Between 30 and 40 years
Equipment	Between 10 and 20 years
Molds	46 months or 25 years
Office furniture	3 years
Computer equipment	Between 3 and 5 years

The management annually review estimated lives for assets and adjustments are made as necessary to reflect current thinking on remaining lives in light of technological change or physical condition of assets concerned. All improvements that will be added to the cost of an existing component will be amortized on the rest of the useful life of this component.

Intangible assets

Intangible assets, which mainly consist of deferred certification, development expenses, software, web site, trademarks and patents are accounted initially and consequently at cost and their useful lives are reviewed annually. Patents, trademarks and certification are amortized from the date they received authorities' acceptance into use using the straight-line method over a maximum period of their useful life.

An intangible asset that is mainly composed of external costs is categorized as an "intangible asset acquired externally".

Internally-generated intangible assets

Expenditures on research are recognized as an expense when they are incurred. Expenditures on development that do not meet certain defined conditions are also recognized as an intangible asset when the company can demonstrate that these conditions are met. Deferred development expenses are amortized using the straight-line method over a maximum period of five years.

Intangible assets acquired externally

Intangible assets are recognized at cost less amortization and impairment. They are amortized when they are ready for use according to the straight-line and following periods:

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Notes to Interim Condensed Consolidated Financial Statements (unaudited)

	<u>Periods</u>
Certification	10 years
Deffered development expenses	5 years
Logiciels	5 years
Web site	3 years
Trademarks	Between 10 and 25 years
Patents	Between 10 and 25 years

Long-term debt

Long-term debt, including debt-related issue costs, is accounted for at amortized cost using the effective rate interest method.

Revenue recognition

Revenue, which mainly consists of sales of goods, is recognized when the products are delivered to customers and recovery of the sale price is reasonably certain. Risks and significant benefits related to ownership are then transferred.

Provision for warranties

The company offers on its products limited and transferable warranties that decrease proportionally to the number of years. The company's typical warranties require it to repair defective products during the warranty period at no cost to the customer. The company records a provision for warranties when products are delivered based upon its expectations of warranty costs to be incurred. Majority of warranty claims appear in the year within a one year period following deliveries of products.

Tax credits and government assistance

Tax credits and government assistance are accounted for in the period in which the related expenses are incurred, provided the company has reasonable assurance the amounts will be recovered. Tax credits and government assistance related to deferred development expenses or to property, plant and equipment are accounted for against the cost of these assets and are amortized at the same rate than that used for the corresponding assets. Tax credits and government assistance pertaining to current expenses are recognized in earnings as the related expenses are incurred.

Amounts comprised in "Refundable tax credits" and "Tax credits recoverable" relate to claims that are still subject to review by tax authorities. Any difference between amounts refundable accounted for by the company and tax credits granted by tax authorities shall be accounted for at this time, in the condensed consolidated statement of comprehensive income or as an adjustment of the cost of property, plant and equipment or intangible assets, as appropriate.

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Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Income taxes

The company provides for income taxes using the liability method of tax allocation. Under this method, deferred tax assets and liabilities are determined based on deductible or taxable temporary differences between carrying values and tax base values of assets and liabilities using enacted or substantively enacted income tax rates and laws expected to be in effect for the year in which the differences are expected to reverse.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Equity issue expense

Equity issue expenses are accounted for against the amount of the related equity instrument issued.

Stock-based compensation

The company uses the fair value method according to the Black and Scholes valuation model to account for awards of stock to employees, management, directors and consultants. Stock-based compensation costs are recognized over the vesting period of the options and the credit is recognized in the reserve - stock-options presented in shareholders' equity. Any consideration paid by plan participants on the exercise of stock options for the purchase of shares is credited to capital stock together with any related stock-based compensation cost.

Warrants

The company uses the fair value method according to the Black and Scholes valuation model to account for warrants. Costs related to warrants are recognized according to the nature of the operation to which they relate and the credit is recognized in the reserve – warrants presented in shareholder's equity. When they exercise the warrants, any consideration paid by holders in addition of the carrying value of warrants are credited to capital stock.

Earnings per share and information pertaining to the number of shares

Basic earnings per share is determined using the weighted average number of participating shares outstanding during the period.

Diluted earnings per share is determined using the weighted average number of participating shares outstanding during the period, plus the effects of potentially dilutive participating shares outstanding during the period. The calculation of diluted earnings per share is made using the treasury stock method, as if all potentially dilutive participating shares had been exercised at the later of the beginning of the year or the date of issuance, as the case may be, and that the funds obtained thereby had been used to purchase participating shares of the company at the average market value of the participating shares during the period.

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Notes to Interim Condensed Consolidated Financial Statements (unaudited)

3. Future changes in accounting policies

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

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

The company anticipates that IFRS 9 will be adopted for the annual period beginning January 1, 2013. At this moment, it is not practicable to provide a reasonable estimate of that effects until a detailed review has been completed.

4. Accounts receivable

	As at March 31	As at December 31
	2011 \$	2010 \$
Trade	1,700,230	1,392,291
Allowance for doubtful debts	(68,727)	(79,135)
	<u>1,631,503</u>	<u>1,313,775</u>
Government assistance receivable	62,500	62,500
Commodity taxes receivable	153,415	113,825
Deposits and others	65,200	198,482
Fair value of forward exchange contracts (note 19)	237,408	198,616
	<u>2,150,026</u>	<u>1,887,198</u>

5. Inventories

	As at March 31	As at December 31
	2011 \$	2010 \$
Raw materials	1,023,870	1,256,752
Finished goods	3,837,281	3,439,214
	<u>4,861,151</u>	<u>4,695,966</u>

Novik Inc.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

6. Property, plant and equipment

	<u>Land</u>	<u>Plant</u>	<u>Equipment</u>	<u>Molds</u>	<u>Office</u>	<u>Computer</u>	<u>Total</u>
	\$	\$	\$	\$	furniture	equipment	\$
					\$	\$	\$
<u>Cost</u>							
Balance at							
January 1, 2011	476,348	5,348,047	7,796,602	6,089,756	77,492	278,396	20,066,641
Additions	-	18,000	167,988	120,417	1,966	14,369	322,740
Balance at							
March 31, 2011	476,348	5,366,047	7,964,590	6,210,173	79,458	292,765	20,389,381
<u>Accumulated</u>							
<u>depreciation</u>							
Balance at							
January 1, 2011	-	760,072	2,135,168	1,421,347	69,606	212,794	4,598,987
Depreciation							
expense	-	38,909	102,165	80,694	1,270	10,262	233,300
Balance at							
March 31, 2011	-	798,981	2,237,333	1,502,041	70,876	223,056	4,832,287
<u>Net amount</u>	476,348	4,567,066	5,727,257	4,708,132	8,582	69,709	15,557,094

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Notes to Interim Condensed Consolidated Financial Statements (unaudited)

	<u>Land</u>	<u>Plant</u>	<u>Equipment</u>	<u>Molds</u>	<u>Office</u>	<u>Computer</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$
<u>Cost</u>							
Balance at							
January 1, 2010	476,348	5,342,189	7,930,723	5,734,985	72,759	250,804	19,807,808
Additions	-	5,858	376,219	354,771	4,733	27,592	769,173
Disposals	-	-	(510,340)	-	-	-	(510,340)
Balance at							
December 31, 2010	476,348	5,348,047	7,796,602	6,089,756	77,492	278,396	20,066,641
<u>Accumulated</u>							
<u>depreciation</u>							
Balance at							
January 1, 2010	-	604,509	1,789,558	1,099,841	66,068	170,036	3,730,012
Depreciation							
expense	-	155,563	571,835	321,506	3,538	42,756	1,095,198
Elimination on							
disposals of assets	-	-	(226,225)	-	-	-	(226,225)
Balance at							
December 31, 2010	-	760,072	2,135,168	1,421,347	69,606	212,792	4,598,985
<u>Net amount</u>	476,348	4,587,975	5,661,434	4,668,409	7,886	65,604	15,467,656

Novik Inc.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

7. Intangible assets

	<u>Certification</u> \$	<u>Deferred development expenses</u> \$	<u>Software</u> \$	<u>Web site</u> \$	<u>Trademarks</u> \$	<u>Patents</u> \$	<u>Total</u> \$
<u>Cost</u>							
Balance at							
January 1, 2011	51,887	2,159,918	1,154,983	37,720	41,932	40,400	3,486,840
Additions	19,116	-	6,499	500	-	2,686	28,801
Internal development	-	42,223	-	-	-	-	42,223
Balance at							
March 31, 2011	71,003	2,202,141	1,161,482	38,220	41,932	43,086	3,557,864
<u>Accumulated depreciation</u>							
Balance at							
January 1, 2011	-	1,186,632	934,181	36,424	10,717	270	2,168,224
Depreciation expense	-	90,190	20,545	1,072	604	203	112,614
Balance at							
March 31, 2011	-	1,276,822	954,726	37,496	11,321	473	2,280,838
<u>Net amount</u>	71,003	925,319	206,756	724	30,611	42,615	1,277,026

	<u>Certification</u> \$	<u>Deferred development expenses</u> \$	<u>Software</u> \$	<u>Web site</u> \$	<u>Trademarks</u> \$	<u>Patents</u> \$	<u>Total</u> \$
<u>Cost</u>							
Balance at							
January 1, 2010	-	1,989,563	1,126,061	37,720	37,681	-	3,191,025
Additions	51,887	-	28,922	-	4,251	40,402	125,412
Internal development	-	170,355	-	-	-	-	170,355
Balance at							
December 31, 2010	51,887	2,159,918	1,154,983	37,720	41,932	40,402	3,486,842
<u>Accumulated depreciation</u>							
Balance at							
January 1, 2010	-	812,671	805,849	29,144	8,859	-	1,656,523
Depreciation expense	-	373,961	128,332	7,280	1,858	270	511,701
Balance at							
December 31, 2010	-	1,186,632	934,181	36,424	10,717	270	2,168,224
<u>Net amount</u>	51,887	973,286	220,802	1,296	31,215	40,132	1,318,618

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8. Credit facilities

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

9. Trade and other payables

	<u>As at March 31</u>	<u>As at December 31</u>
	2011	2010
	\$	\$
Trade payable	1,057,639	1,301,319
Salaries and employee benefits payable	152,618	159,417
Accrued liabilities	499,665	521,466
	<u>1,709,922</u>	<u>1,982,202</u>

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Notes to Interim Condensed Consolidated Financial Statements (unaudited)

10. Long-term debt

	As at March 31	As at December 31
	2011 \$	2010 \$
Immoveable hypothec without delivery, secured by plant (carrying amount of \$4, 585, 830) bearing interest at prime rate plus 1%, payable in monthly principal instalment of \$17,170 plus interest, beginning in June 2011, maturing in May 2036	5,150,000	5,133,830
Notes payable secured by a moveable hypothec on equipment, molds and all tangible assets, bearing interest varying at March 31, 2011 from prime rate plus 0.65% to 4% and fix rate of 4.87%, maturing between 2011 and 2016*	3,125,336	2,416,541
Notes payable secured by a moveable hypothec on equipment and molds, bearing interest varying at March 31, 2011, from prime rate plus 0.5% to 1.9%, maturing between 2011 and 2012	722,189	846,540
Notes payable to Canada Economic Development, non-interest bearing, payable in equal and consecutive annual instalment totalling \$76,440, maturing between 2011 and 2013, discounted with an effective rate of 15%	122,684	117,958
Note payable to Canada Economic Development, non-interest bearing, payable in monthly principal instalments of \$3,000, beginning in March 2012 and maturing in February 2017, discounted with an effective rate of 15%	180,107	173,148
Note payable under a Strategic Support of Investment Program, non-interest bearing, payable in equal and consecutive monthly principal instalments of \$9,084, starting in April 2012 and maturing in March 2019, discounted with an effective rate of 15%	406,404	390,702
Deferred financing expenses	(153,503)	(118,332)
	<u>9,553,217</u>	<u>8,960,427</u>
Less: Current portion	930,674	838,767
Less : Part may be due to short-term	-	7,863,902
	<u>8,622,543</u>	<u>257,758</u>

Novik Inc.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

As at March 31, 2011, the effective weighted average rate was 7.86 % (6,90% as at December 31, 2010).

The estimated annual principal instalments to be paid over the next five years are as follow: \$646,589 in 2011, \$1,148,698 in 2012, \$1,242,297 in 2013, \$876,252 in 2014 and \$765,920 in 2015.

The company is committed to meet certain financial ratios in connexion with certain of its loans. As at March 31, 2011, all financial ratios were met. However, as at December 31, 2011, the company did not meet one financial ratio. So, on that date, an amount of \$7,863,902 is presented in the current liabilities as "Part of the long-term debt may be due to short-term", as the company did not have the unconditional right to defer the settlement of the debts for at least twelve months after the reporting date.

* The company obtained a note payable of \$2,625,000 from which \$1,853,125 was received during the period. This note payable bears interest at the base rate of the financial institution plus 4%, secured by a hypothec on the universality of assets, payable from September 2011 in monthly principal instalments of \$43,000 plus interests and a final instalment of \$45,000 plus interests in September 2016. With this payable note, the company reimbursed notes payable maturing between 2011 and 2015 equalling \$1,428,490.

Furthermore, the company obtained a second payable note of \$400,000 bearing interests at the prime rate plus 2.75%, secured by Investissement Québec up to 70% of the initial note and by a hypothec on the universality of assets subordinated to the other securitization on those assets. This payable note is payable from October 2011 by monthly principal installments of \$7,407 plus interests and matures in March 2016.

Finally, in February 2011, the company obtained a suspended period related to the principal installments for a six-month period on other payable notes. The installments due at the end of the suspended period were adjusted in order to pay the principal according to the initial terms.

11. Capital stock

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

Issued and fully paid:

	<u>As at March 31</u>	<u>As at December 31</u>
	2011	2010
	\$	\$
48,470,858 common shares	9,946,318	9,946,318

Novik Inc.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

b) Stock options

Under the plan in effect on May 27, 2010, the company granted 705,000 stock options to its directors and certain managers at an exercise price of \$0.20 maturing on May 27, 2015. A compensation expense of \$116,000 has been accounted for in the consolidated statement of earnings at issuance as these new stock options are exercisable immediately.

Under the plan in effect on February 23, 2011, the company granted 25,000 stock options to a manager at an exercise price of \$0.27, maturing on February 23, 2016. A compensation expense of \$5,600 has been accounted for in the consolidated statement of earnings at issuance as these new stock options are exercisable immediately.

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

	2011			2010		
	Number	Stock options reserve \$	Weighted average exercise price \$	Number	Stock options reserve \$	Weighted average exercise price \$
Outstanding - Beginning of period	2,555,000	597,142	0.31	2,583,500	672,586	0.39
Granted during the period	25,000	5,600	0.27	-	-	-
Forfeited during the period	(30,000)	(4,936)	0.20	-	-	-
Expired during the period	(120,000)	(33,600)	0.46	-	-	-
Outstanding – End of the period	2,430,000	564,206	0.30	2,583,500	672,586	0.39

The following table summarizes information on outstanding and exercisable stock options under the plan as at March 31, 2011:

Options outstanding and exercisable		
Exercise price	Number	Weighted average contractual life (years)
\$0.19	330,000	1.15
\$0.20	675,000	4.16
\$0.27	25,000	4.90
\$0.32	575,000	3.16
\$0.40	425,000	2.16
\$0.45	400,000	0.15
	2,430,000	2.51

Novik Inc.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

The fair value of the stock option issued was estimated using the Black-Scholes valuation model with the following assumptions:

	Granted under the plan on February 23, 2011
Risk-free interest rate	0.97%
Expected volatility	120%
Dividend yield	Nil
Expected life	60 months
Fair value on the date of grant	\$0.22

12. Cost of sales

	Three Months Ended March 31	
	2011	2010
	\$	\$
Salaries and fringe benefits	771,260	676,330
Inventories and transformation of inventories	1,858,995	1,635,289
Amortization of property, plant, equipment and intangible assets	252,019	283,889
	<u>2,882,274</u>	<u>2,595,508</u>

13. Selling expenses

	Three Months Ended March 31	
	2011	2010
	\$	\$
Salaries and fringe benefits	393,549	317,201
Other selling expenses	802,482	796,639
	<u>1,196,031</u>	<u>1,113,840</u>

Novik Inc.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

14. Administrative expenses

	Three Months Ended March 31	
	2011	2010
	\$	\$
Salaries and fringe benefits	119,275	228,684
Stock-based compensation costs (note 11b)	5,600	-
Other administrative expenses	133,534	114,506
Amortization of property, plant, equipment and intangible assets	3,501	20,778
	<u>261,910</u>	<u>363,968</u>

15. Research and development costs

	Three Months Ended March 31	
	2011	2010
	\$	\$
Salaries, fringe benefits and other research and development expenses	16,266	36,669
Amortization on deferred development expenses	90,395	93,092
	<u>106,661</u>	<u>129,761</u>

16. Financial expenses

	Three Months Ended March 31	
	2011	2010
	\$	\$
Interest on bank loan	42,783	25,301
Interest on long-term debt	131,526	146,279
Exchange gain	(6,948)	(100,893)
	<u>167,361</u>	<u>70,687</u>

Novik Inc.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

17. Earnings per share

The amount used as numerator in calculating basic earnings and diluted earning per share is attributable to the overall company. Consequently, no reconciliation is required.

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

	Three Months Ended March 31,	
	2011	2010
Basic weighted average number of shares outstanding	48,470,858	48,470,858
Potentially dilutive stock options	348,500	27,243
Basic weighted average number of shares potential	48,819,358	48,498,101

Furthermore, a number of stock options corresponding to 2,081,500 shares (2,253,500 in March 2010) at December 31, 2010 has been excluded from the calculation of diluted earnings per share because the exercise prices of these stock options were greater than the average market price of the common shares.

18. Additional disclosures on the statements of cash flows

a) Net change in non-cash working capital items

	Three Months Ended March 31,	
	2011 \$	2010 \$
Accounts receivable	(202,094)	(263,086)
Inventories	(165,185)	(490,158)
Refundable tax credits	133,692	174,168
Prepaid expenses	(70,267)	30,994
Trade and other payables	(418,455)	938,903
	(722,309)	390,821

b) Operating and investing activities

	Three Months Ended March 31,	
	2011 \$	2010 \$
Acquisition of property, plant and equipment included in trade and other payables	-	113,292

Novik Inc.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

c) Additional information

	Three Months Ended March 31,	
	2011 \$	2010 \$
Interest paid	131,526	146,279

19. Financial instruments

The fair value of foreign currency forward contracts as at March 31, 2011 is as follows:

Purchasing currency	Selling currency	Par value in selling currency	Maturity	Fair value (a) \$	Average rate
CAN\$	US\$	2,425,000	2011	237,408	1.0675

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

20. Segment information

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

Revenues by geographic region are detailed as follows:

	Three Months Ended March 31,	
	2011 \$	2010 \$
Canada	1,054,820	1,054,755
United States	2,303,000	2,690,213
Mexico	165,595	-
North America	3,523,415	3,744,968
Europe and Asia-Pacific	962,405	108,723
	4,485,820	3,853,691

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

Novik Inc.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Major customers

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

	Three Months Ended March 31,	
	2011 %	2010 %
Customer 1	23.00	42.50
Customer 2	13.00	17.49

21. Commitments

As at December 31, 2011, the company's minimum aggregate commitments under long-term equipment and vehicle lease agreements with lease terms of between three and eight years amount to \$84,028. Minimum lease payments required over the next four years amount to \$25,882 in 2011, \$34,510 in 2012, \$22,724 in 2013 and \$912 in 2014. During the period ended March 31, 2011 an amount of \$8,628 was recognised as an expense in earnings in respect of operating leases (\$9,718 in 2010).

22. Contingency

A statement of claim was issued against the company from a former employee for damages. The company believes that the claim is without merit and has accrued a reasonable provision with respect to this claim. Should the actual amount be different of the amount of the recorded provision as at March 31, 2011 will be recorded in the net earnings of the period when the actual amount becomes known.

23. Reconciliation between Canadian GAAP and IFRS and choices of optional exemptions

As mentioned in note 2, Novik applied IFRS retrospectively except for the following choices:

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

Reclassifications:

Following the application of IAS 1 "*Presentation of financial statements*", as at December 31, 2010, Novik has reclassified an amount of \$7,863,902 of the long term debt in current liabilities. This part of the long term debt had to be presented long-term under Canadian GAAP, as a refinancing agreement had been obtained before the publication of financial statements. Under IAS 1, given that this agreement was not obtained before the reporting date, the related debt must be presented in the current liabilities. This situation was not applicable on January 1st, 2010.

Novik Inc.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Novik reclassified amount presented in the Canadian GAAP Contributed Surplus account to appropriate IFRS section of equity according to their nature. In consequence, as of January 1, 2010, \$900,899 was credited to the reserve – stock options, \$640,074 was credited to the reserve – warrants and \$94,280 was credited to deficit.

In order to explain the impact of IFRS adoption, Novik prepared the two following reconciliations:

- Reconciliation of its equity at the date of transition (January 1, 2010), at the end of the intermediary period (March 31, 2010) and at the end of the latest period presented in accordance with Canadian GAAP (December, 31, 2010);
- Reconciliation of Novik's comprehensive income in accordance with IFRS for the latest period in the entity's most recent annual financial statements (Years ended December 31, 2010).

	As at December 31 2010	As at March 31 2010	As at January 1 2010
	\$	\$	\$
Total consolidated under Canadian GAAP	11,213,239	10,506,121	10,818,027
Adjustments :			
- Property, Plant and equipment and intangible assets (a)	128,528	(26,394)	(65,292)
- Future income taxes (a)	(41,131)	8,446	20,893
Total consolidated equity under IFRS	<u>11,300,636</u>	<u>10,488,173</u>	<u>10,773,628</u>

	Three Months Ended March 31 2010	Twelve Months Ended December 31 2010
	\$	\$
Consolidated comprehensive income under Canadian GAAP	(311,906)	279,212
Adjustments:		
- Property, Plant and equipment and intangible assets (a)	38,896	193,820
- Future income taxes (a)	(12,447)	(62,024)
Consolidated comprehensive income under IFRS	<u>(285,455)</u>	<u>411,008</u>

a)The company judged that the straight-line method is more relevant to reflect the pattern in which the asset's future economic benefits from tangible and some intangible assets. In consequence, the company modified his accounting policies and applied retrospectively the necessary adjustments. Tax impacts related to these adjustments were also recognized. In consequence, the carrying value of property, plant and equipment decreased by \$9,438 in 2010 and the carrying value of intangible assets decreased by \$55,854.

Novik Inc.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

There was no other specific adjustment on presentation on balance made to the condensed consolidated statements of cash flows beside adjustments explained above.

24. Comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.