

*From the Chairman, President
and Chief Executive Officer*

To our shareholders,

This report to shareholders for the first quarter ended April 30, 2001 marks the Company's first quarter of reporting the consolidated results of Imaflex Inc. and its wholly owned subsidiary, Canslit Inc. which was acquired on March 29, 2001.

The Company reports net income for the three months ended April 30, 2001 of \$259,000 or \$0.008 per share, compared with net income of \$275,000, or \$0.009 per share, for the same period in 2000.

Sales for the first quarter of the current year totaled \$6,700,000, compared with \$5,115,000 for the same period in 2000, an increase of \$1,585,000 or 31.0%, resulting from the following factors:

- The increase in Imaflex sales of \$1,104,000 was a result of increased volumes and selling prices. Volume increases resulted from the expansion of the Company's manufacturing capacity in the third quarter of the previous fiscal year. Selling price increases were necessitated by continued pressure on the cost of raw materials.
- Canslit's first month of sales were \$481,000.

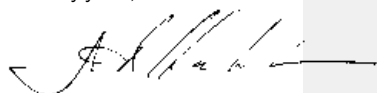
Gross profit for the first quarter of the current year was \$1,262,000 or 18.8% of sales as compared to \$1,057,000 or 20.7% of sales for the same period in 2000. The decrease is attributable to a higher level of production costs at Imaflex and a lower than normal operating margin at Canslit.

Income before income taxes for the first quarter of the current year was \$388,000 as compared to \$410,000 for the same period in 2000. The decrease of \$22,000 is primarily attributable to a higher level of selling and administrative expenses resulting from higher sales volume at Imaflex's operations. Furthermore, amortization of capital assets increased as a result of the significant capital expenditure program of last year.

Net income for the first quarter of the current year was \$259,000 as compared to \$275,000 for the same period in 2000. Imaflex's contribution to net income was \$282,000, while Canslit incurred a net loss of \$23,000.

Over the next six months, management will integrate and rationalize the operations of Canslit to achieve the expected sales and profit growth while continuing to upgrade the existing production lines of Imaflex in order to increase production capacity. The Company is continuing to pursue other suitable acquisitions, to more rapidly enhance shareholder value.

Sincerely yours,



Joseph Abbandonato
Chairman of the Board, President and Chief Executive Officer

Corporate Profile

Imaflex Inc. specializes in the manufacture and sale of custom-made polyethylene films suited for various packaging needs of our customers. These packaging films are either used directly by our customers to protect their own products, or used by customers who convert our film products into plain or printed bags of all types and/or into printed roll stock, in their own converting operations, to satisfy their own customer needs. Imaflex employs approximately 70 people in its manufacturing facility, located in Montreal, Quebec.

Canslit Inc., the wholly owned subsidiary, specializes in the metallization of numerous polymer-based products including polyester, nylon, polypropylene and polyethylene. This is accomplished through the application under vacuum conditions of a fine layer of aluminum vapors to the surface of the polymer-based film. Metallized films are generally used in the packaging of food products. However, these films are being used in the insulation, photography, aerospace and numerous other industries. Canslit employs approximately 30 people at its two manufacturing facilities in Milton, Ontario and Pointe-Claire, Quebec.

The acquisition of Canslit and its integration into Imaflex provides the combined entity entry into specific niche markets, which not only adds diversity, but additional value and services that can be provided to our existing and potential customers. Imaflex expects to realize numerous synergistic advantages through cost savings and an increased presence in the Ontario market.

In its latest edition, PROFIT 100 Magazine honoured Imaflex as one of Canada's Fastest Growing Companies.

For investor information, contact

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**Quarterly
Report**

April 30, 2001

IMAFLEX
Committed to Excellence



Consolidated Balance Sheets

(Unaudited)

(in thousands)	April 30 2001	January 31 2001
Assets		
Current assets:		
Accounts receivable	\$ 5,634	\$ 3,895
Inventories	2,113	1,385
Prepaid expense	224	47
	<u>7,971</u>	<u>5,327</u>
Capital assets	8,295	6,150
Long-term investment	163	163
	<u>\$ 16,429</u>	<u>\$ 11,640</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 734	\$ 35
Accounts payable and accrued liabilities	4,585	3,176
Income taxes payable	248	189
Current portion of long-term debt	776	475
Current portion of obligations under capital leases	223	220
	<u>6,566</u>	<u>4,095</u>
Long-term debt	3,962	2,144
Obligations under capital leases	393	450
Future income taxes	1,017	832
Shareholders' equity:		
Share capital	1,923	1,810
Retained earnings	2,568	2,309
	<u>4,491</u>	<u>4,119</u>
	<u>\$ 16,429</u>	<u>\$ 11,640</u>

Note

On March 29, 2001, the Company acquired 100% of the outstanding shares of Canslit Inc. ("Canslit") for an initial consideration of \$163,000 payable by the issuance of 750,000 Class A shares of the Company. The acquisition has been accounted for using the purchase method and the accompanying financial statements include the results of operations from the date of the purchase.

The purchase price allocation based on their fair values of the net assets acquired and liabilities assumed is as follows:

	('000s)
Current assets	\$ 1,377
Capital assets	2,284
Current liabilities	(1,402)
Long-term debt	(1,941)
Other liabilities	(155)
Cost of consideration	<u>\$ 163</u>

Consolidated Statements of Income and Retained Earnings

(Unaudited)

(in thousands, except per share and share data)	Three Months Ended April 30, 2001	
	2001	2000
Sales	\$ 6,700	\$ 5,115
Cost of sales	5,438	4,058
Gross profit	<u>1,262</u>	<u>1,057</u>
Expenses:		
Selling and administrative	512	357
Amortization of capital assets	260	197
Interest	78	57
Other	24	27
Loss on disposal of capital assets	-	9
	<u>874</u>	<u>647</u>
Income before income taxes	<u>388</u>	<u>410</u>
Provision for income taxes	129	135
Net income	<u>259</u>	<u>275</u>
Retained earnings, beginning of period:	2,309	1,275
Retained earnings, end of period	<u>\$ 2,568</u>	<u>\$ 1,550</u>
Earnings per share	<u>\$ 0.008</u>	<u>\$ 0.009</u>
Class A voting shares	<u>19,215,002</u>	<u>18,465,002</u>
Class B Series 1 non-voting shares	<u>11,700,000</u>	<u>11,700,000</u>
Earnings before interest, taxes, depreciation and amortization (EBITDA)	<u>\$ 726</u>	<u>\$ 673</u>
EBITDA per share	<u>\$ 0.023</u>	<u>\$ 0.022</u>

Note (continued)

The share purchase agreement includes a contingent consideration clause based on the future results of Canslit for the years ending December 31, 2002, 2003 and 2004, which may result in the issuance of up to an

additional 750,000 shares of the Company. The amount of this contingent consideration, if any, is not determinable at this time and has therefore not been included in the determination of the purchase price.

Consolidated Statement of Cash Flows

(Unaudited)

(in thousands)	Three Months Ended April 30, 2001	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 259	\$ 275
Adjustments for:		
Amortization of capital assets	260	197
Future income taxes	30	34
Loss on disposal of capital assets	-	9
Net change in non-cash operating working capital	<u>(976)</u>	<u>(1,163)</u>
	<u>(427)</u>	<u>(648)</u>
Cash flows from financing activities:		
Increase in bank indebtedness	699	1,031
Repayment of long-term debt	(116)	(55)
Decrease in obligations under capital leases	(54)	(50)
Issuance of share capital	113	4
	<u>642</u>	<u>930</u>
Cash flows from investing activities:		
Purchase of capital assets	(171)	(297)
Acquisition of business, net of cash	(44)	-
Proceeds on disposal of capital assets	-	15
	<u>(215)</u>	<u>(282)</u>
Cash beginning and end of period	<u>\$ -</u>	<u>\$ -</u>
Supplemental cash flow information:		
Interest paid	\$ 77	\$ 47
Income taxes paid	100	198
Additions to capital assets included in accounts payable	<u>(50)</u>	<u>(37)</u>