

To our shareholders,

Third Quarter Results

The Company reports consolidated net income for the three months ended October 31, 2001 of \$40,000, or \$0.001 per share, compared with net income of \$242,000, or \$0.008 per share, for the same period in 2000. The current year results include those of Imaflex Inc. and its wholly-owned subsidiary, Canslit Inc., which was acquired on March 29, 2001. Imaflex's operations generated net income of \$199,000 as compared to \$242,000 for the same period in 2000, while Canslit incurred a net loss of \$159,000 in the current period. The loss at Canslit's operations was due to low sales volume as a result of temporarily operating in one manufacturing plant in Pointe-Claire, Quebec, the Milton, Ontario plant having been closed down in order to consolidate operations into one larger manufacturing plant.

Consolidated sales for the third quarter of the current year totaled \$6,868,000, compared with \$4,870,000 for the same period in 2000, an increase of \$1,998,000 or 41.0%, resulting from the following factors:

- The increase in Imaflex sales of \$1,069,000 was a result of increased volumes, resulting from the expansion of the Company's manufacturing capacity in the third quarter of the previous fiscal year.
- Sales of Canslit for the quarter of \$929,000.

Consolidated gross profit for the third quarter of the current year was \$1,349,000 or 19.6% of sales as compared to \$988,000 or 20.3% of sales for the same period in 2000. The decrease in margin in the current year is attributable to a lower than normal operating margin at Canslit.

The consolidated income before income taxes for the third quarter of the current year was \$125,000 as compared to Imaflex's income before income taxes of \$360,000 for the same period in 2000. The decrease of \$235,000 is primarily attributable to Canslit's operating loss and to the increase in Imaflex selling and administrative expenses in the current quarter. Amortization of capital assets also increased as a result of last year's significant capital expenditure program. Lastly, the third quarter results of the current year include all operating expenses of Canslit.

Notwithstanding Canslit's operating loss, the income tax provision reflects the taxes on the income generated by Imaflex's operations.

Year-to-date Results

The Company reports a consolidated net loss for the nine months ended October 31, 2001 of \$124,000, or \$0.004 per share, compared with net income of \$612,000, or \$0.020 per share, for the

same period in 2000. Imaflex's operations generated net income of \$639,000 as compared to \$612,000 for the same period in 2000, while Canslit incurred a net loss of \$763,000 in the current period. The significant loss at Canslit's operations was caused mainly by a one-time restructuring charge of \$350,000 in the second quarter and a temporary production slowdown resulting from the rationalization of its manufacturing operations from plants in Milton, Ontario and Pointe-Claire, Quebec into one larger plant in Victoriaville, Quebec. Furthermore, as a result of low sales volume and duplication of production overhead Canslit incurred a loss from current operations of \$413,000.

Consolidated sales for the nine months ended October 31, 2001 totaled \$19,920,000, compared with \$14,899,000 for the same period in 2000, an increase of \$5,021,000 or 33.7%, resulting from the following factors:

- The increase in Imaflex sales of \$2,401,000 was a result of increased volumes.
- Sales of Canslit for seven months of \$2,620,000.

Change of Financial Year-end

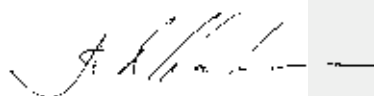
Imaflex's financial year-end is being changed to December 31 to harmonize with Canslit's year-end. Accordingly, consolidated results for the fourth quarter will be comprised of the results for the months of November and December 2001.

Management Outlook

Management is committed to the cost-effective integration of Canslit with Imaflex's operations. In this latest quarter, management was able to reduce Canslit's operating loss and expects to complete the move of Canslit's operations from the Pointe-Claire plant into the larger Victoriaville plant during December 2001. This move will enable management to increase Canslit's revenue base in order to generate positive earnings in 2002.

In the first quarter of 2002, management is expecting the arrival and installation of new production equipment in order to increase Imaflex's manufacturing capacity to meet anticipated demand in the Canadian and US markets. Management is confident that this expansion will result in continued growth in sales and profitability.

Sincerely yours,



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

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 75 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 also being used in the insulation, photography, aerospace and numerous other industries. Canslit employs approximately 15 people at its manufacturing facility in 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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Consolidated Balance Sheets

| (in thousands) | October 31 2001 (Unaudited) | January 31 2001 (Audited) |
|---|-----------------------------------|---------------------------------|
| Assets | | |
| Current assets: | | |
| Accounts receivable | \$ 4,739 | \$ 3,895 |
| Inventories | 1,748 | 1,385 |
| Prepaid expenses | 47 | 18 |
| | 6,534 | 5,298 |
| Deposits on capital assets | 967 | 29 |
| Capital assets | 7,985 | 6,150 |
| Long-term investment | 163 | 163 |
| | \$ 15,649 | \$ 11,640 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Bank indebtedness | \$ 90 | \$ 35 |
| Accounts payable and accrued liabilities | 4,274 | 3,176 |
| Income taxes payable | 219 | 189 |
| Current portion of long-term debt | 991 | 475 |
| Current portion of obligations under capital leases | 215 | 220 |
| | 5,789 | 4,095 |
| Long-term debt | 4,419 | 2,144 |
| Obligations under capital leases | 291 | 450 |
| Future income taxes | 1,042 | 832 |
| Shareholders' equity: | | |
| Share capital | 1,923 | 1,810 |
| Retained earnings | 2,185 | 2,309 |
| | 4,108 | 4,119 |
| | \$ 15,649 | \$ 11,640 |

Consolidated Statements of Income and Retained Earnings

(Unaudited)

| (in thousands, except per share and share data) | Three months ended October 31 | | Nine months ended October 31 | |
|---|----------------------------------|-----------------|---------------------------------|-----------------|
| | 2001 | 2000 | 2001 | 2000 |
| Sales | \$ 6,868 | \$ 4,870 | \$ 19,920 | \$ 14,899 |
| Cost of sales | 5,519 | 3,882 | 16,117 | 12,026 |
| Gross profit | 1,349 | 988 | 3,803 | 2,873 |
| Expenses: | | | | |
| Selling and administrative | 754 | 312 | 2,008 | 1,040 |
| Amortization of capital assets | 332 | 212 | 907 | 615 |
| Interest | 104 | 85 | 298 | 217 |
| Other | 34 | 19 | 89 | 79 |
| Loss on disposal of capital assets | - | - | - | 9 |
| | 1,224 | 628 | 3,302 | 1,960 |
| Income before restructuring charge and income taxes | 125 | 360 | 501 | 913 |
| Restructuring charge | - | - | 350 | - |
| Income before income taxes | 125 | 360 | 151 | 913 |
| Provision for income taxes | 85 | 118 | 275 | 301 |
| Net income (loss) | 40 | 242 | (124) | 612 |
| Retained earnings, beginning of period | 2,145 | 1,645 | 2,309 | 1,275 |
| Retained earnings, end of period | \$ 2,185 | \$ 1,887 | \$ 2,185 | \$ 1,887 |
| Earnings (loss) per share | \$ 0.001 | \$ 0.008 | \$ (0.004) | \$ 0.020 |
| Class A voting shares | 19,215,002 | 18,465,002 | 19,215,002 | 18,465,002 |
| Class B Series 1 non-voting shares | 11,700,000 | 11,700,000 | 11,700,000 | 11,700,000 |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | \$ 561 | \$ 657 | \$ 1,356 | \$ 1,754 |
| EBITDA per share | \$ 0.018 | \$ 0.022 | \$ 0.044 | \$ 0.058 |

Consolidated Statements of Cash Flows

(Unaudited)

| (in thousands) | Three months ended October 31 | | Nine months ended October 31 | |
|--|----------------------------------|--------------|---------------------------------|----------------|
| | 2001 | 2000 | 2001 | 2000 |
| Cash flows from operating activities: | | | | |
| Net income (loss) | \$ 40 | \$ 242 | \$ (124) | \$ 612 |
| Adjustments for: | | | | |
| Amortization of capital assets | 332 | 212 | 907 | 615 |
| Future income taxes | 16 | 29 | 55 | 82 |
| Loss on disposal of capital assets | - | - | - | 9 |
| Net change in non-cash operating working capital | 326 | 123 | - | (653) |
| | 714 | 606 | 838 | 665 |
| Cash flows from financing activities: | | | | |
| Increase (decrease) in bank indebtedness | (579) | (544) | 55 | 467 |
| Issuance of long-term debt | 1,000 | 502 | 1,000 | 1,833 |
| Repayment of long-term debt | (192) | (73) | (444) | (182) |
| Decrease in obligations under capital leases | (56) | (51) | (164) | (151) |
| Issuance of share capital | - | - | 113 | 4 |
| | 173 | (166) | 560 | 1,971 |
| Cash flows from investing activities: | | | | |
| Purchase of capital assets | (140) | (528) | (416) | (2,681) |
| Decrease (increase) in deposits on capital assets | (747) | 88 | (938) | 30 |
| Acquisition of business, net of cash | - | - | (44) | - |
| Proceeds on disposal of capital assets | - | - | - | 15 |
| | (887) | (440) | (1,398) | (2,636) |
| Cash beginning and end of period | \$ - | \$ - | \$ - | \$ - |
| Supplemental cash flow information: | | | | |
| Interest paid | \$ 106 | \$ 93 | \$ 296 | \$ 210 |
| Income taxes paid | 65 | 60 | 271 | 317 |
| Additions to capital assets included in accounts payable | (55) | 30 | (42) | (110) |

Notes to Consolidated Financial Statements

(For the nine months ended October 31, 2001 and 2000)

1. Significant accounting policies:

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles using the same accounting policies and methods of application as disclosed in the Company's financial statements for the year ended January 31, 2001. The comparative January 31, 2001 balance sheet information is derived from the Company's audited financial statements.

2. Changes in accounting policies:

Effective February 1, 2001, the Company adopted the Canadian Institute of Chartered Accountants' new recommendations related to the accounting for earnings per share. The recommendations require the application of the treasury stock method for the calculation of the dilutive effect of stock options and other dilutive securities. The adoption of the new recommendations resulted in no restatement of comparative periods.

During the first quarter of the fiscal year ended January 31, 2002, the Company has adopted retroactively the Canadian Institute of Chartered Accountants' new recommendations on the presentation of interim financial statements. The new recommendations require minimal disclosures including significant accounting policies. These new recommendations also require a comparative balance sheet established as of January 31, 2001.

3. Acquisition

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 | \$ 163 |

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 Class A 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.

4. Comparative figures:

Certain of the comparative figures have been reclassified in order to conform with the current year's presentation.