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QUARTERLY REPORT
SEPTEMBER 30, 2009

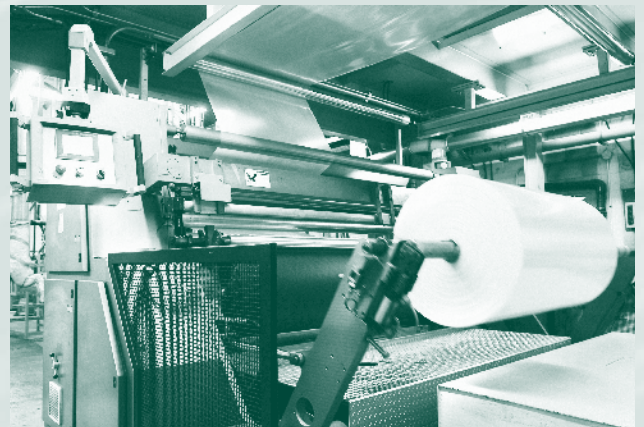
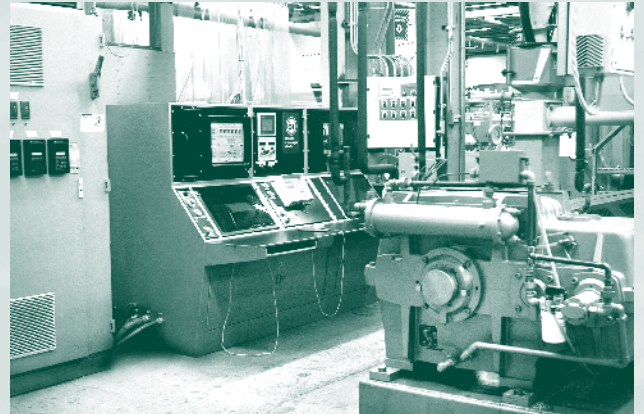
IMAFLEX
Committed to Excellence



IN ALL SUCCESSFUL BUSINESSES THE KEY TO SUCCESS RELIES ON MANAGEMENT'S ABILITY TO MASTER THREE FUNDAMENTALS:

- > COMMITMENT TO CUSTOMER
- > CLEAR VISION OF GOALS
- > CORRECT TIMING OF ACTIONS

OUR SENIOR MANAGEMENT TEAM KNOWS, UNDERSTANDS AND LIVES BY THESE PILLARS OF BUSINESS FUNDAMENTALS.



CONSOLIDATED BALANCE SHEETS

(unaudited)

(\$ thousands)	September 30 2009 (Unaudited)	December 31 2008 (Audited)	September 30 2008 (Unaudited)
Assets			
Current assets:			
Cash	\$ 1,475	\$ 1,251	\$ -
Accounts receivable	8,374	10,675	10,815
Inventories	10,980	7,087	9,677
Income taxes receivable	-	95	-
Prepaid expenses	118	23	132
	\$ 20,947	\$ 19,131	\$ 20,624
Capital assets	17,492	20,337	20,523
	\$ 38,439	\$ 39,468	\$ 41,147
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness	\$ 6,063	\$ 4,827	\$ 6,298
Accounts payable and accrued liabilities	6,235	5,045	5,381
Income taxes payable	523	531	87
Current portion of long-term debt	2,863	3,670	3,620
Current portion of obligations under capital lease	79	109	97
	\$ 15,763	\$ 14,182	\$ 15,483
Obligations under capital lease	52	102	69
Long-term debt	4,974	7,369	7,517
Future income taxes	813	1,223	1,239
Shareholders' equity:			
Share capital	7,829	7,829	7,329
Contributed surplus	323	323	323
Accumulated other comprehensive income (loss)	(10)	-	-
Retained earnings	8,695	8,440	9,187
	16,837	16,592	16,839
	\$ 38,439	\$ 39,468	\$ 41,147

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND RETAINED EARNINGS

(unaudited)

(\$ thousands, except per share and share data)	Three months ended		Nine months ended	
	September 30 2009	September 30 2008	September 30 2009	September 30 2008
Sales	\$ 11,914	\$ 13,976	\$ 38,109	\$ 40,104
Cost of sales	10,304	12,306	31,604	34,643
Gross profit before amortization of production equipment	1,610	1,670	6,505	5,461
Amortization of production equipment	708	778	2,158	2,283
Gross profit	902	892	4,347	3,178
Expenses:				
Selling and administrative	969	1,030	2,582	3,017
Amortization of capital assets	70	76	210	221
Interest	133	237	363	685
Foreign exchange loss	255	207	502	344
Other	59	45	99	113
	1,486	1,595	3,756	4,380
Income (loss) before income taxes	(584)	(703)	591	(1,202)
Provision for income taxes	(116)	(117)	336	141
Net income (loss)	(468)	(586)	255	(1,343)
Retained earnings, beginning of period	9,163	9,773	8,440	10,478
Effect of change in accounting policy (see note 2)	-	-	-	52
Retained earnings, end of period	\$ 8,695	\$ 9,187	\$ 8,695	\$ 9,187
EBITDA	327	388	3,322	1,987
Average number of shares outstanding				
Basic	39,350,002	37,350,002	39,350,002	37,350,002
Diluted	39,350,002	37,350,002	39,350,002	37,350,002
Earnings (loss) per share (basic and diluted)	\$ (0.012)	\$ (0.016)	\$ 0.006	\$ (0.036)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(\$ thousands)	Three months ended		Nine months ended	
	September 30 2009	September 30 2008	September 30 2009	September 30 2008
Net income (loss)	\$ (468)	\$ (586)	\$ 255	\$ (1,343)
Other comprehensive income, net of income taxes:				
Change in unrealized loss on translation of financial statements of self-sustaining foreign operations	\$ (496)	\$ -	\$ (764)	\$ -
Comprehensive loss	\$ (964)	\$ (586)	\$ (509)	\$ (1,343)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(\$ thousands)	Three months ended		Nine months ended	
	September 30 2009	September 30 2008	September 30 2009	September 30 2008
Cash flows from operating activities:				
Net income (loss)	\$ (468)	\$ (586)	\$ 255	\$ (1,343)
Adjustments for:				
Amortization of capital assets	778	854	2,369	2,504
Future income taxes	(221)	125	(114)	1
Foreign exchange	(32)	208	(175)	397
Change in fair value of derivative financial instrument	(9)	(3)	25	(10)
Cash from operations before changes in non-cash operating working capital	48	598	2,360	1,549
Net change in non-cash operating working capital	1,518	(1,795)	(435)	(3,619)
	1,566	(1,197)	1,925	(2,070)
Cash flows from financing activities:				
Increase in bank indebtedness	220	2,093	1,237	4,423
Repayment of long-term debt	(773)	(915)	(2,781)	(2,717)
Repayment of obligations under capital lease	(27)	(23)	(81)	(69)
	(580)	1,155	(1,625)	1,637
Cash flows from investing activities:				
Purchase of capital assets	(36)	(2)	(124)	(39)
	(36)	(2)	(124)	(39)
Effect of exchange rate differences on cash	(14)	2	48	(24)
Net increase (decrease) in cash	936	(42)	224	(496)
Cash, beginning of period	539	42	1,251	496
Cash, end of period	\$ 1,475	\$ -	\$ 1,475	\$ -
Supplemental cash flow information:				
Interest paid	134	278	419	776
Income taxes paid	15	-	613	145
Additions to capital assets included in accounts payable	244	241	244	330

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2009 and 2008 (unaudited)

1. Significant accounting policies:

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). Other than the changes in accounting policies in Note 2 and 3 below, the accounting policies for these financial statements are the same as those in Note 1 of the audited annual consolidated financial statements for the year ended December 31, 2008.

These unaudited interim consolidated financial statements do not include all of the disclosures included in the Company’s audited annual consolidated financial statements, and as such should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2008.

The unaudited interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Canslit Inc. and Imaflex USA, Inc.

In addition, these unaudited interim consolidated financial statements have not been reviewed by Deloitte & Touche s.r.l., the auditors of the Company.

Foreign currency translation:

Financial statements of self-sustaining foreign operations are translated using the current method by which assets and liabilities are translated at the effective rate on the balance sheet date and by using the average rates effective during the year for the revenues and expenditures. Differences resulting from these translations are deferred and recorded under translation differences in accumulated other comprehensive income of shareholders’ equity and are only included in earnings when there has been a reduction in the investment in these foreign operations. For translation differences that create taxable or deductible temporary differences, the corresponding future tax provision is also recognized in other comprehensive income.

Transactions in foreign currencies are translated using the temporal method by which transactions are translated at the effective rate on the transaction date. Monetary assets and liabilities are translated at the effective rate on the balance sheet date, and non-monetary items are translated using the effective rate on the transaction date. Exchange gains and losses are included in the financial expenses in the statement of operations.

2. Changes in accounting policies

(a) New accounting standards adopted:

On January 1, 2008, the Company adopted CICA Handbook Section 3031, Inventories, which replaces Section 3030 and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards (“IFRS”). This section provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing; and expands the disclosure requirements to increase transparency. The changes in accounting policy, applied retrospectively without restatement of prior year’s financial statements, resulted in an increase to opening retained earnings of \$52,014.

(b) Future changes in accounting policies:

International Financial Reporting Standards (“IFRS”)

In February 2008, Canada’s Accounting Standards Board (“AcSB”) confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be fully converged into IFRS, as issued by the International Accounting Standards Board (“IASB”). The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As a result, the Company will be required to report under IFRS as of these dates. The Company has begun the change over process. During the quarter the Company has completed the workshops and has continued detailed evaluation on specific areas requiring analysis. The company has hired additional manpower to ensure a smooth transition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2009 and 2008 (unaudited)

2. Changes in accounting policies (continued)

(c) Change in accounting estimate:

Effective January 1, 2009, the Company revised its estimated useful life for the production equipment at its Imaflex USA subsidiary from 10 to 15 years. This change in estimate, which was applied prospectively, resulted in a reduction in amortization of approximately \$95,000 for the quarter and \$285,000 for the period ended September 30, 2009.

3. Change in status of Imaflex USA, Inc.

Effective January 1, 2009, the Company classified its foreign subsidiary Imaflex USA, Inc. (Imaflex USA), previously considered an integrated foreign operation, as a self-sustaining foreign operation. This change in classification is a result of changes in circumstances concerning Imaflex USA's operations, including its being able to conduct its activities and grow its business on a stand alone basis, following a lengthy start-up period.

The financial statements of Imaflex USA are now translated using the current rate method, under which assets and liabilities are translated at the exchange rate in effect at the reporting date and revenues and expenses are translated at the exchange rates in effect on the dates on which such items are recognized into income during the period. Exchange gains or losses arising from the translation of Imaflex USA's financial statements are recognized in other comprehensive income, and are included in net income when there is a reduction in the net investment in Imaflex USA.

As a result of this change, an adjustment to accumulated other comprehensive income in the amount of \$524,942 was made on January 1, 2009, to record previously unrecognized translation gains.

Accumulated other comprehensive income	Nine months ended	
	September 30 2009	September 30 2008
(\$ thousands)		
Opening balance	-	-
Change in status of Imaflex USA	\$ 524,942	-
Change in unrealized gains / (losses) on translation of financial statements of self sustaining foreign operations net of income taxes of (\$229,535)	\$ (534,594)	-
Ending balance	\$ (9,652)	-

4. Contingency

In the normal course of business, the Company is named as defendant in various claims resulting from the use by end-users of its products. While it is not possible to estimate the outcome of the various proceedings at this time, the Company expects that it will not incur any significant loss or expense in excess of amounts already provided. Any differences between the amounts settled and the amounts provided will be accounted for as a charge to income in the period in which the settlement occurs.

5. Comparative figures

Certain figures from prior periods have been reclassified to conform to the current period presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

For the three and nine months ended September 30, 2009 and 2008 (unaudited)

The purpose of this MD&A is, as required by regulators, to explain management's point of view on the Company's past performance and future outlook. This report also provides information to improve the reader's understanding of the consolidated financial statements and related notes. Please refer to the unaudited consolidated financial statements for the third quarter when reading this MD&A, in addition to the 2008 Annual Report. In this document, unless otherwise indicated, all financial data is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are expressed in Canadian dollars. In this MD&A we also use a non-GAAP financial measure. Please refer to the section entitled "Non-GAAP Measure" for a complete description of this measure. The consolidated financial statements include the accounts of the Company and its division Canguard Packaging ("Canguard"), and its wholly owned subsidiaries, Canslit Inc. ("Canslit") and Imaflex USA, Inc. ("Imaflex USA"). To facilitate the reading of this report, the terms "Imaflex," "Company," "we," "our," "us" all refer to Imaflex Inc. together with its subsidiaries. This MD&A is prepared in conformity with National Instrument 51-102 and Form 51-102F1 and has been approved by the board of directors prior to its release. The unaudited consolidated financial statements for the third quarter ended September 30, 2009 have not been reviewed by Deloitte & Touche s.r.l., the auditors of the Company.

FORWARD-LOOKING STATEMENTS

From time to time, we make forward-looking statements within the meaning of certain securities laws, including the "safe harbor" provisions of the Securities Act (Ontario). We may make such statements in this document, in other filings with Canadian regulators, in reports to shareholders or in other communications. These forward-looking statements include, among others, statements regarding the business and anticipated financial performance of the Company. The words "may," "could," "should," "would," "outlook," "believe," "plan," "anticipate," "expect," "intend," "objective," the use of the conditional tense and words and expressions of similar nature are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements, as a number of important factors could cause our actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, management of credit, market dynamics, liquidity, funding and operational risks; the strength of the Canadian and U.S. economies in which we conduct business; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar; the effects of changes in interest rates; the effects of competition in the markets in which we operate; our ability to successfully align our organization, resources, and processes; the availability and price of raw materials; failure to achieve planned growth associated with the U.S. expansion; changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates; operational and infrastructure risks; other factors may affect future results including, but not limited to, timely development and introduction of new products and services, changes in tax laws, technological changes, new regulations; the possible impact on our businesses from public-health emergencies, international conflicts and other developments; and our success in anticipating and managing the foregoing risks.

We caution our readers that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by the securities authorities, we do not undertake to update any forward-looking statement that may be made from time to time by us or on our behalf. The forward-looking statements contained herein are based on information available as of November 12, 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

For the three and nine months ended September 30, 2009 and 2008 (unaudited)

COMPANY OVERVIEW

The Company operates in one reportable segment being the development, manufacture and sale of packaging materials. The results include those of Imaflex Inc. ("Imaflex"), located in Montréal (Québec), and its division Canguard, located in Victoriaville (Québec), and its wholly owned subsidiaries, Imaflex USA, Inc. ("Imaflex USA"), located in Thomasville (North Carolina), and Canslit Inc. ("Canslit"), located in Victoriaville (Québec). All intercompany balances and transactions have been eliminated.

Imaflex and Imaflex USA specialize in the manufacture and sale of custom-made polyethylene films suited for various packaging needs of our customers. Canguard specializes in the manufacture and sale of polyethylene trash bags for both the retail and industrial markets. Canslit specializes in the metallization of polyethylene film.

The Class A shares of the Company are listed for trading on the TSX Venture Exchange under the symbol "IFX.A". The Company's head office is located in Montréal (Québec).

NON-GAAP MEASURE

The Company's management uses a non-GAAP measure in this MD&A, namely EBITDA. Management wishes to specify that in the performance of the Company's financial results, EBITDA is shown as "Earnings before interest, taxes, depreciation and amortization." The reader may refer to the table below for the reconciliation of the EBITDA used by the Company and reported net income (loss).

Reconciliation of EBITDA and Net income (loss):

	Three months ended		Nine months ended	
	September 30	September 30	September 30	September 30
(\$ thousands, except per share data)	2009	2008	2009	2008
Net income (loss)	\$ (468)	\$ (586)	\$ 255	\$ (1,343)
Plus:				
Income taxes	(116)	(117)	336	141
Interest	133	237	363	685
Amortization	778	854	2,368	2,504
EBITDA	327	388	3,322	1,987
EBITDA per share (basic and diluted)	0.008	0.010	0.084	0.053

While EBITDA is not a standard GAAP measure, management, analysts, investors and others use it as an indicator of the Company's financial and operating management and performance. EBITDA should not be construed as an alternative to net income determined in accordance with GAAP as an indicator of the Company's performance. The Company's method of calculating EBITDA may be different from those used by other companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

For the three and nine months ended September 30, 2009 and 2008 (unaudited)

BUSINESS OVERVIEW

Imaflex Inc. ("the Company") is primarily a provider of polyethylene films to converters. Converters are companies that process our film into a finished product. They do this by printing on the film that we supply them the information required by their end customers.

Imaflex also manufactures bags on rolls that are sold for a variety of uses, including garbage bags.

Additionally, the Company produces a special metalized film for specific agricultural usage.

Imaflex operates three manufacturing facilities. Two are located in Quebec, one in Montreal and the other in Victoriaville – and one is located in the United States, in Thomasville, North Carolina. The three facilities cover a total area of approximately 200,000 sq. ft.

All our manufacturing operations are vertically integrated which implies that all our products are produced internally. The Company does not use third-parties to further process the end products that it sells.

MARKET OPPORTUNITY

We operate in a market that is over 25 billion dollars in size. Although this market is highly fragmented and commoditized in terms of pricing, there are niches within this larger market that offer the opportunity of increased profitability.

Management believes that four factors will contribute to Imaflex's long term growth.

The first is continued investment in our research and development efforts so as to allow our research teams to develop on a timely basis, new products for highly profitable niche markets as the older niches gradually become price sensitive with the entry of new participants.

The second is the efficiency of our equipment, and our commitment to sustain this efficiency with the required capital investments. This will allow us to remain cost competitive in the marketplace.

The third is our access to capital. Being a publicly traded company we have the ability to tap into the equity markets if the right opportunity comes along. This is in addition to the credit facilities provided to the Company by its banks.

The fourth is our manufacturing presence in both Canada and the United States which confers a competitive advantage to the Company in terms of logistics, currency, and manufacturing flexibility.

OUTSOURCING

Our industry is capital intensive. Labour is a minor component in the total cost of production. Therefore, the outsourcing of products from countries with lower labour rates would not have a material impact on the reduction of our cost of production.

Furthermore, the risks related to quality and on-time delivery would far outweigh any minimal benefits that would be generated by lower labour costs. Accordingly, as it stands now, management does not contemplate the establishment of an outsourcing strategy.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

For the three and nine months ended September 30, 2009 and 2008 (unaudited)

BUSINESS STRATEGY

Imaflex is focused on providing its customers the highest quality products on a timely basis and at competitive prices. This strategy has been the backbone of our growth and it has served us well.

However, during difficult economic times our consistent quality and high service levels are not always enough of a differentiation factor to secure sales, as competitors with idle operations attempt to gain market share through pricing.

Regardless of the ups and downs of the economic cycle it is our intention to maintain our focus on the quality and service levels that have distinguished us in the past. In the long run this will most certainly accrue to our benefit.

GROWING CUSTOMER BASE

In a 25 billion dollar market it becomes essential to avoid selling to customers focused on products that are highly commoditized in terms of pricing. The key is to identify potential customers with specific needs, develop a relationship with them, and through that relationship eventually develop products that address a particular need.

Our sales force's primary mandate is to find such clients.

RISK FACTORS

The Company is involved in a competitive industry and marketplace in which there are a number of participants. To accommodate the recent growth, and effectively manage future growth, the Company continues to improve its operational, financial and management information systems, as well as its production procedures and controls. The Company's success is largely the result of the continued contribution of its employees and the Company's ability to attract, and retain, qualified management, sales, and operational personnel.

The 25 billion dollar market the Company competes in, has historically shown resiliency and growth even during the worst economic times. The Company's customers operate predominantly in the food packaging and agriculture markets. This fact, coupled with our expanding product offering and our investment in newer and faster equipment, help the Company to weather the potential volatility caused by uncertainty in the North American economic climate.

Factors which can impact the Company include, but are not limited to: management of credit, market dynamics, liquidity, funding and operational risks; the strength of the Canadian and U.S. economies in which we conduct business; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar; the effects of changes in interest rates; the effects of competition in the markets in which we operate; our ability to successfully align our organization, resources, and processes; the availability and price of raw materials; failure to achieve planned growth associated with the U.S. expansion; changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates; operational and infrastructure risks; other factors may affect future results including, but not limited to, timely development and introduction of new products and services, changes in tax laws, technological changes, new regulations; the possible impact on our businesses from public-health emergencies, international conflicts and other developments; and our success in anticipating and managing the foregoing.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

For the three and nine months ended September 30, 2009 and 2008 (unaudited)

GENERAL SITUATION OF THE POLYETHYLENE BLOWN FILM MARKET

Due to the recession, and now the slow recovery, supply has far outstripped demand for our products. This has obviously led to lower margins. These conditions have created many bankruptcies and mergers within the industry. Conditions are improving, but at a very slow pace. We therefore expect the continuation of lower margins, at least for the near term.

LOSS OF BUSINESS FROM A SIGNIFICANT CUSTOMER

One of our business strategies has been to limit the purchases of any particular customer to 15% of our revenues. This strategy allows us to ensure that our profitability and financial well-being is not dependent on any one client.

COMPETITION FROM OTHER COMPANIES

Competition in our market is at the moment quite intense due to the imbalance between supply and demand. Nevertheless, because we are dealing in a 25 billion dollar market; because we have a highly skilled team that is quick to respond to customer needs; because we have vertically integrated operations; because we have a diversified manufacturing base and because the bulk of our customers deal in food related products, we believe that we have a competitive edge. It may not always translate into a greater net profit, but it certainly does translate into customer loyalty should we decide to match our competitors' prices.

SEASONALITY OF OPERATIONS

Two of our operations, the one in Victoriaville and the one in Thomasville are subject to seasonality as a result of their partial manufacturing focus in the production of metalized film products sold to fruit and vegetable growers. Customer demand in this market segment peaks twice yearly. To properly service these clients it is imperative that inventory levels be increased during the low seasons.

However, because these locations also manufacture products that are destined for other markets which are not affected by seasonal downturns, these two plants are still able to operate all year, albeit at lower capacity levels.

EXPOSURE TO PRODUCT LIABILITY

Imaflex Inc.'s exposure to product liability is low. We are a manufacturer of polyethylene films used by our customers to transform our products into polyethylene packaging for use by their clients. Imaflex is not exposed to liability for personal injury, or death arising from negligence in the manufacturing of the films.

The only market segment that exposes the Company to potential product liability claims is the agricultural market. In this market, proof of negligence in our manufacturing process could entail some form of compensation in the event that the expected crop yields do not materialize.

Although the likelihood of a claim in this market is low, we are nonetheless covered by a product liability insurance policy in the amount of \$25,000,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

For the three and nine months ended September 30, 2009 and 2008 (unaudited)

FLUCTUATIONS IN OPERATING RESULTS

It is important to note that profitability may vary from quarter to quarter, irrespective of quarterly sales. This is due to many factors. These factors include and are not limited to: competitive conditions in the businesses in which the Company participates; general economic conditions and normal business uncertainty; product mix; fluctuations in foreign currency exchange rates; the availability and costs of raw materials; changes in the Company's relationship with its suppliers; and interest rate fluctuations and other changes in borrowing costs.

ACCESS TO ADDITIONAL FINANCING

We have not, nor do we expect to have, a significant increase in borrowing costs.

LIQUIDITY RISK

The Company believes that it has a level of liquidity sufficient to cover its operating requirements.

ABILITY TO ATTRACT AND RETAIN QUALIFIED PERSONNEL

Historically Imaflex Inc. has had no need to attract a quality management team, or technical personnel. This was due to the fact that the founders, who have more than 100 years of combined experience in management and R & D, were and remain at the core of its management team. However as the Company has grown, we have strengthened our team with the addition of individuals having a variety of competencies, be it accounting, operations, or engineering.

This has resulted in a work environment that allows for the free exchange of ideas in an effort to ensure that the Company remains in the forefront of our industry. We are confident that we can retain and attract qualified individuals that will contribute to our quest of building shareholder value.

MANAGEMENT OF GROWTH

Imaflex Inc's history attests to its management's ability to create and manage growth and to successfully adapt to prevailing and continuously changing market conditions. There is nothing to indicate that it will not continue in the future and this regardless of where the Company's growth comes from, whether it is from new markets and products, acquisitions, mergers, or a combination of any or of all three.

FOREIGN EXCHANGE FLUCTUATIONS

A portion of the Company's sales and expenses as well as accounts receivable and payable are denominated in US dollars. A portion of the revenue stream in US dollars acts as a natural hedge to cover expenses denominated in US dollars. The Company does not use forward foreign exchange contracts to manage its residual foreign exchange exposure.

ENVIRONMENTAL HAZARDS

The Company's raw materials, processes and finished goods do not have any hazardous implications. However we do use a few items in our auxiliary cooling equipment which may be hazardous. Though these products actually pose very little risk, they are handled in a manner that fully complies with existing safety regulations.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

For the three and nine months ended September 30, 2009 and 2008 (unaudited)

RESULTS OF OPERATIONS

(\$ thousands)	Three months ended		Nine months ended	
	September 30 2009	September 30 2008	September 30 2009	September 30 2008
Sales	\$ 11,914	\$ 13,976	\$ 38,109	\$ 40,104

Three months ended

For the three month period ending September 30, 2009 the decrease in sales of \$2,062,000 or 14.8% was primarily due to a decreased demand at our Canslit subsidiary, as compared to the same period in 2008.

Nine months ended

The sales for the nine month period ending September 30, 2009 decreased primarily as a result of the decrease in sales during the third quarter as explained above.

(\$ thousands)	Three months ended		Nine months ended	
	September 30 2009	September 30 2008	September 30 2009	September 30 2008
Gross Profit before amortization of production equipment	\$ 1,610	\$ 1,670	\$ 6,505	\$ 5,461
	% 13.5%	11.9%	17.1%	13.6%
Amortization of production equipment	708	778	2,158	2,283
Gross Profit	\$ 902	892	4,347	3,178
Gross Profit	% 7.6%	6.4%	11.4%	7.9%

Three months ended

The gross profit for the three month period ended September 30, 2009 remained relatively stable when compared to the third quarter of 2008.

Nine months ended

The gross profit for the nine month period ended September 30, 2009 improved by \$1,169,000 due primarily to better product mix and procurement of lower priced raw materials during the first and second quarter of 2009.

(\$ thousands)	Three months ended		Nine months ended	
	September 30 2009	September 30 2008	September 30 2009	September 30 2008
Selling and administrative	\$ 969	\$ 1,030	\$ 2,582	\$ 3,017
As a % of sales	8.1%	7.4%	6.8%	7.5%

The decrease in selling and administrative expenses is due to the reduction in the capital tax rate, a reduction in insurance premiums and a reduction in sales commissions.

(\$ thousands)	Three months ended		Nine months ended	
	September 30 2009	September 30 2008	September 30 2009	September 30 2008
Amortization – excluding production equipment	\$ 70	\$ 76	\$ 210	\$ 221

Amortization excluding production equipment remained comparable to last year.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

For the three and nine months ended September 30, 2009 and 2008 (unaudited)

RESULTS OF OPERATIONS (CONTINUED)

(\$ thousands)	Three months ended		Nine months ended	
	September 30 2009	September 30 2008	September 30 2009	September 30 2008
Interest	\$ 133	\$ 237	\$ 363	\$ 685

The decrease in interest expense when compared to the same period in 2008 is due primarily to a decrease in the long term debt, a decrease in interest rates and the gain in the interest swap valuation. In 2008 the effect of the swap was an increase of the interest expense.

(\$ thousands)	Three months ended		Nine months ended	
	September 30 2009	September 30 2008	September 30 2009	September 30 2008
FX loss (gain)	\$ 255	\$ 207	\$ 502	\$ 344

The increase in the foreign exchange loss is due to fluctuations of USA denominated transactions.

(\$ thousands)	Three months ended		Nine months ended	
	September 30 2009	September 30 2008	September 30 2009	September 30 2008
Provision for income taxes	\$ (116)	\$ (117)	\$ 336	\$ 141
As a % of income before taxes	19.8%	16.6%	56.8%	(11.7)%

The income tax provision reflects the taxes on the income generated by the Company's Canadian operations. No income tax expense has been recorded on Imaflex USA's operating income due to the loss carry forward.

(\$ thousands, except earnings per share)	Three months ended		Nine months ended	
	September 30 2009	September 30 2008	September 30 2009	September 30 2008
Net income (loss)	\$ (468)	\$ (586)	\$ 255	\$ (1,343)
Income (loss) per share (basic and diluted)	(0.012)	(0.016)	0.006	(0.036)

Three months ended

For the three months ended September 30, 2009, consolidated net loss improved by \$118,000 to a net loss of (\$468,000) compared with a net loss of (\$586,000) for the same period in 2008.

Nine months ended

For the nine months ended September 30, 2009, consolidated net income improved by \$1,598,000 to a net income of \$255,000 compared with a net loss of (\$1,343,000) for the same period in 2008.

The improvement is primarily due to cost saving measures and lower interest rates.

The Company continues to face margin pressures at its established operations, as a result of competitive pricing pressures in the plastics packaging industry. The Company's U.S. operation has started to generate improved gross profit levels compared to the prior year.

Basic and diluted earnings per share have been calculated on the basis of the weighted average number of shares outstanding during the quarter ended September 30, 2009 of 39,350,002 (2008 – 37,350,002).

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

For the three and nine months ended September 30, 2009 and 2008 (unaudited)

FINANCIAL POSITION

September 30, 2009 vs. December 31, 2008

For the quarter ended September 30, 2009, current assets increased by \$1,816,000. The increase is mainly due to a higher level of inventories that is partially offset by lower accounts receivable.

Current liabilities increased by \$1,581,000 as a result of a higher level of bank indebtedness and accounts payable that is primarily offset by a lower current portion of long-term debt.

SUMMARY OF QUARTERLY RESULTS

Summary financial data derived from the Company's unaudited financial statements for each of the eight most recently completed quarters are as follows:

For the quarters ending March, June, September and December
(\$ thousands, except per share data)

	Q3/09	Q2/09	Q1/09	Q4/08	Q3/08	Q2/08	Q1/08	Q4/07
Sales	\$11,914	\$12,384	\$13,811	\$14,466	\$13,976	\$14,014	\$12,114	\$10,991
Net Income (loss)	(468)	79	644	(748)	(586)	(281)	(476)	77
Earnings (loss) per share:								
Basic and diluted	(0.012)	0.002	0.016	(0.020)	(0.016)	(0.010)	(0.013)	0.002

It is important to note that profitability may vary from quarter to quarter, irrespective of quarterly sales due to many factors. These factors include and are not limited to: competitive conditions in the businesses in which the Company participates; general economic conditions and normal business uncertainty; product mix; fluctuations in foreign currency exchange rates; the availability and costs of raw materials; changes in the Company's relationship with its suppliers; and interest rate fluctuations and other changes in borrowing costs.

LIQUIDITY

Working capital at September 30, 2009 was \$5,184,000, compared to a working capital of \$4,950,000 at December 31, 2008.

The Company believes that it has a level of liquidity sufficient to cover its operating requirements.

Cash Flows from Operating Activities

During the quarter ended September 30, 2009, the Company generated \$48,000 in cash flow from operating activities before changes in non-cash operating working capital, a decrease of \$550,000 or 92% over the same period in 2008, primarily as a result of a decrease in future income taxes and less foreign exchange. The increase in non-cash operating working capital of \$1,518,000 in the current quarter was primarily attributable to an increase in accounts payable and inventories, which was partially offset by an increase in accounts receivable.

Cash Flows from Financing Activities

During the quarter ended September 30, 2009, the Company incurred a net cash outflow of \$580,000 compared to cash inflows of \$1,155,000 for the same period in 2008.

During the quarter ended September 30, 2009, the Company made scheduled long-term debt repayments of \$773,000 compared to \$915,000 of scheduled long-term debt repayments for the same period in 2008.

Cash Flows from Investing Activities

During the quarter ended September 30, 2009, the Company incurred a net cash outflow of \$36,000 to purchase equipment compared to an outflow of \$2,000 for the purchase of equipment in the same period of 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

For the three and nine months ended September 30, 2009 and 2008 (unaudited)

CONTRACTUAL OBLIGATIONS

(\$ thousands)	Payment due by period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Long term debt	\$ 7,837	\$ 2,863	\$ 4,017	\$ 957	\$ -
Capital lease	131	79	37	15	-
Operating leases	5,485	699	1,478	1,416	1,892
Total contractual obligations	13,453	3,641	5,532	2,388	1,892

CAPITAL RESOURCES

The Company has operating lines of credits with its bankers of \$7,500,000 (with an additional \$1,000,000 being available during the next quarter), bearing interest at rates ranging between prime plus 0.5% to 1.50%. The lines of credit are secured by accounts receivable, inventories and capital assets. At September 30, 2009, the Company had drawn \$6,063,000 (2008 – \$6,520,000) on its line of credit.

Management expects to be able to continue financing the Company's activities, most of its capital expenditures and other anticipated cash requirements through its cash flow from operations and, if necessary, funds available under its line of credit facilities.

OFF-BALANCE SHEET ARRANGEMENTS

This information is disclosed in note 8(b) of the "Notes to Consolidated Financial Statements" for the years ended December 31, 2008 and 2007.

RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company had routine transactions with related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The following table reflects the related party transactions as disclosed in note 11 of the "Notes to Consolidated Financial Statements" for the years ended December 31, 2008 and 2007:

(\$ thousands)		Three months ended		Nine months ended	
		September 30 2009	September 30 2008	September 30 2009	September 30 2008
	(a)	\$ 37	\$ 47	\$ 126	\$ 148
	(b)	\$ 173	\$ 176	\$ 532	\$ 530

(a) Gerald R. Phelps, Imaflex's Vice-President – Operations, is the controlling shareholder of Polytechnomics Inc. ("Polytech"). The Company has an agreement with Polytech for the provision of consulting, management, and technical services. The agreement is presented to and approved by the Company's Board of Directors on an annual basis.

(b) Joseph Abbandonato, Imaflex's President, Chief Executive Officer and Chairman of the Board, is the controlling shareholder of Roncon Consultants Inc. ("Roncon"). The Company's production facilities at Imaflex, Canslit, and Imaflex USA are leased from Roncon and parties related to Roncon under long-term operating lease agreements (see "Contractual Obligations" under "Liquidity").

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

For the three and nine months ended September 30, 2009 and 2008 (unaudited)

PROPOSED TRANSACTIONS

The Company has no proposed transactions at this time.

CRITICAL ACCOUNTING POLICIES

The Company's significant accounting policies are disclosed in note 1 of the "Notes to Consolidated Financial Statements" for the years ended December 31, 2008 and 2007.

CHANGES IN ACCOUNTING POLICIES INCLUDING ADOPTION

On January 1, 2008, we adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, *Capital Disclosures* (see note 16), Sections 3862, *Financial Instruments - Disclosure* and Section 3863, *Financial Instruments – Presentation* (see note 15). These new Handbook sections apply to fiscal years beginning October 1, 2007 and do not have an impact on the financial results.

In June 2007, the CICA issued Section 3031, *Inventories*, effective starting January 1, 2008. The company evaluated and calculated the effect of this change on the financial statements. The analysis concluded that the effect of such change was not significant; nevertheless the effect of the change was recorded in the books of the Company as of December 31, 2008. The company will continue to apply the recommendations set forth in Section 3031.

The changes relate primarily to the calculation of finished goods inventory. Historically, the company has expensed all depreciation in the period to which it applied and allocated only direct costs and manufacturing overheads to the finished goods inventory. The new standard requires that finished goods include the cost of applied overhead which is to be calculated on a normalized production level and applied on an actual production basis. The effect of this change resulted in an adjustment to beginning retained earnings in the amount of \$52,014, which is disclosed in the Financial Statements ended December 31, 2008.

Future Changes in Accounting Policies – International Financial Reporting Standards (IFRS)

In February 2008, Canada's Accounting Standard Board (AcSB) confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be fully converged into IFRS, as issued by the International Accounting Standards Board (IASB). The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As a result, the company will be required to report under IFRS as of these dates. The Company has begun the change over process. During the quarter, the Company has completed the workshops and has continued detailed evaluation on specific areas requiring analysis. The company has hired additional manpower to ensure a smooth transition.

Change in accounting estimate

Effective January 1, 2009, the Company revised its estimated useful life for the production equipment at its Imaflex USA subsidiary from 10 to 15 years. This change in estimate, which was applied prospectively, resulted in a reduction in amortization of approximately \$285,000 for the nine months ended September 30, 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

For the three and nine months ended September 30, 2009 and 2008 (unaudited)

MANAGEMENT OUTLOOK

The third quarter results once again showed some of the improvement that management had anticipated. Though not stellar performance by any means, management is confident that its initiatives, coupled with the timely fourth quarter sales that it envisions at its US facility, will create the conditions of profitability that it envisioned in its year end review.

Achieving these results has been a long and arduous process in an economy that is as difficult as it gets, however, management's perseverance in implementing its plans of cost saving initiatives that are now taking root, lead it to believe that the worst is over, and that we will, as was concluded in our second quarter outlook, be in a position to consider new investments in 2010.

OUTSTANDING SHARE DATA

As of the date of this report, the Company had 39,350,002 Class A shares outstanding.

CONTINGENCY

In the normal course of business, the Company is named as defendant in various claims resulting from the use by end-users of its products. While it is not possible to estimate the outcome of the various proceedings at this time, the Company expects that it will not incur any significant loss or expense in excess of amounts already provided. Any differences between the amounts settled and the amounts provided will be accounted for as a charge to income in the period in which the settlement occurs.

RISK FACTORS

The Company is involved in a competitive industry and marketplace in which there are a number of participants. To accommodate the recent growth and effectively manage future growth, the Company continues to improve its operational, financial and management information systems, and procedures and controls. The Company's success is largely the result of the continued contributions of its employees and the Company's ability to attract and retain qualified management, sales and operational personnel.

The 25 billion dollar market the Company competes in has historically shown resiliency and growth even at the worst economic times. The Company's customers operate predominantly in the food packaging and agriculture markets. This fact, coupled with the expanding product lines and reliance on newer and faster equipment should help it weather the potential volatility caused by uncertainty in the North American economic climate.

Factors which can impact the Company include, but are not limited to: management of credit, market dynamics, liquidity, funding and operational risks; the strength of the Canadian and U.S. economies in which we conduct business; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar; the effects of changes in interest rates; the effects of competition in the markets in which we operate; our ability to successfully align our organization, resources, and processes; the availability and price of raw materials; failure to achieve planned growth associated with the U.S. expansion; changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates; operational and infrastructure risks; other factors may affect future results including, but not limited to, timely development and introduction of new products and services, changes in tax laws, technological changes, new regulations; the possible impact on our businesses from public-health emergencies, international conflicts and other developments; and our success in anticipating and managing the foregoing risks.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

For the three and nine months ended September 30, 2009 and 2008 (unaudited)

RISKS ASSOCIATED WITH CURRENT ECONOMIC SITUATION

Credit Availability and Cost

Availability:

At this moment in time our lending institutions have been receptive to the Company's current financial position. During December we raised further capital through the issuance of additional common shares. During September we negotiated an increase to our line of credit of an additional \$1,000,000.

Costs:

We have not, nor do we expect to have, a significant increase in borrowing costs.

Customer Demand

Customer demand for our products should continue to be stable mainly due to the fact that the majority of our sales are in the food growing and food packaging industry.

Currency

A portion of the Company's sales and expenses as well as accounts receivable and payable are denominated in US dollars. A portion of the revenue stream in US dollars acts as a natural hedge to cover expenses denominated in US dollars. The Company does not use forward foreign exchange contracts to manage its residual foreign exchange exposure.

Performance and Actions

Over the course of the last quarter we have stabilized our personnel both in operations and administration and have continued to search for cost savings.

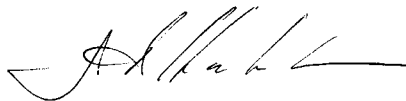
Liquidity

At this moment in time the Company foresees no liquidity issue and has complete backing from its lending institutions.

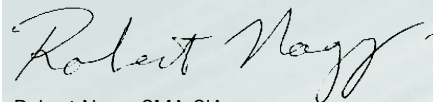
Twelve month analysis of changes in liquidity

During the past year, the collection effort increased along with review of the credit status of customers. This resulted in an increase in collections used to build inventories in order to respond to the seasonal demand of certain customers.

Additional information relating to our Company, including our Annual Report, can be found on SEDAR at www.sedar.com.



Joseph Abbandonato
President & Chief Executive Officer



Robert Nagy, CMA, CIA
Corporate Controller

November 12, 2009